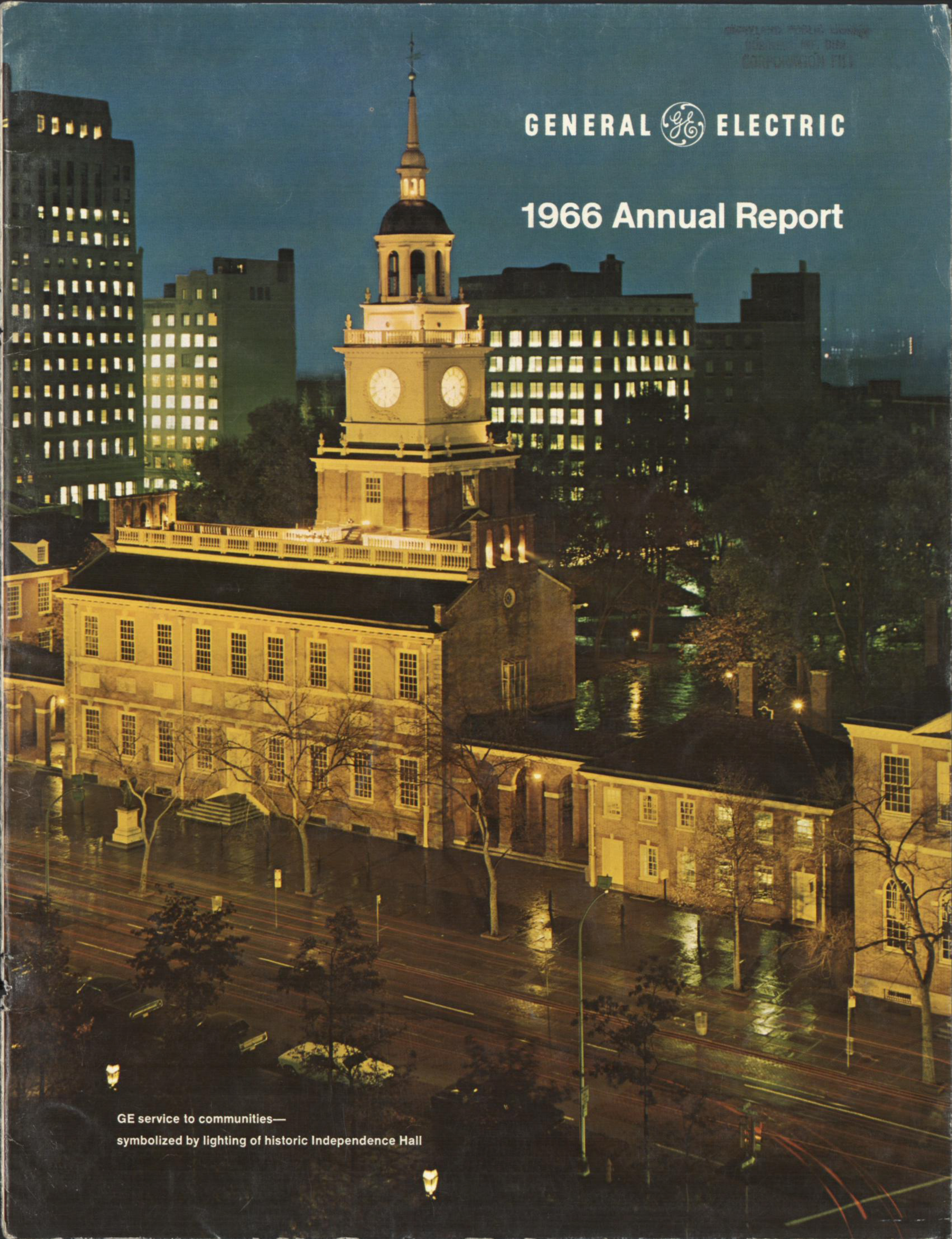
GENERAL ELECTRIC

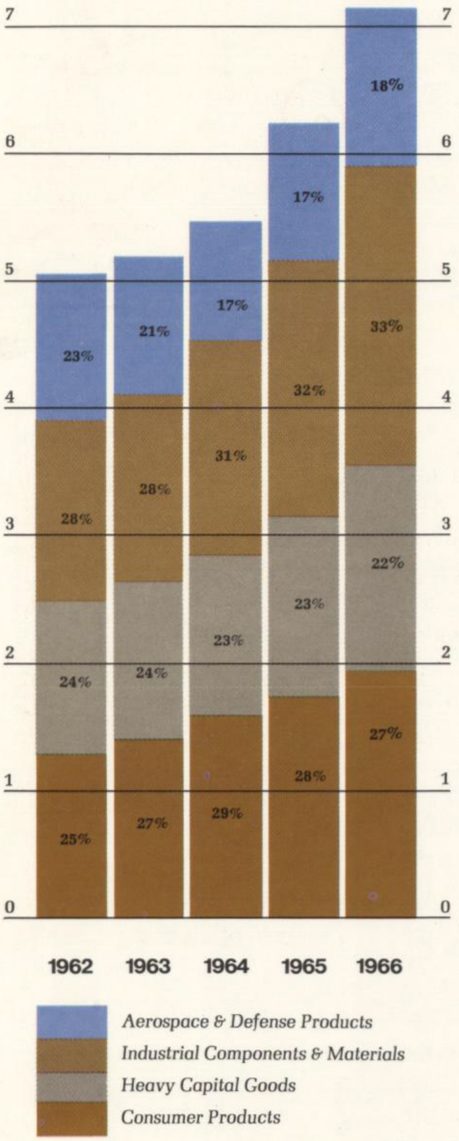
1966 Annual Report



GE service to communities—
symbolized by lighting of historic Independence Hall

General Electric Worldwide Sales 1962-1966

$ in billions



Highlights of 1966

(In millions; per-share amounts in dollars)

Financial–on worldwide basis of consolidation	**1966**	**1965**
Sales of products and services	$7,177.3	$6,213.6
Net earnings	338.9	355.1
Net earnings per share	3.75	3.93
Earnings as a percentage of sales	4.7%	5.7%
Earned on share owners' equity	15.7%	17.5%
Earned on invested capital	13.4%	15.4%
Dividends declared per share	$2.60	$2.40
Dividends paid per share	2.60	2.30
Total taxes per share	4.53	4.47
Plant and equipment additions	484.9	332.9

Note: In accord with recommendations by the American Institute of Certified Public Accountants, earnings per share have been computed on average shares outstanding rather than on average shares issued as in prior reports. Unless otherwise indicated by the context, the terms "General Electric" and "Company" as used in this report are on the basis of consolidation described on page 22.

The cover: Philadelphia's Independence Hall, illuminated by new General Electric Lucalox® lamps, considered the most important light source development since the fluorescent lamp. Light output is so great that six lamps in GE outdoor luminaires provide the Hall's main exterior lighting.

Executive Offices: 570 Lexington Avenue, New York, New York 10022

Overview by the President and Chairman

To the share owners:

During the past several years your managers have been adding major new growth sectors to General Electric's business base in order to keep the Company growing at the rates you expect. Our goals have included seeking out new growth prospects in established product lines, investing in new ventures to strengthen the Company's role in fast-growing markets overseas, developing such businesses as computers, nuclear energy, gas turbines, chemicals and electronics, and contributing new solutions to the problems of our increasingly urban society.

In the 1961-1964 period these efforts yielded a steady growth of some $250 million in sales each year for General Electric. But sales rose nearly $1 billion both in 1965 and in 1966. While some of the increases resulted from the acquisition of new affiliates, by far the greater part came from the increased demands that customers made on our broadened product lines in these years of exceptional strength for the U.S. economy.

This unprecedented growth has created pressures affecting earnings. Even though we entered this period with growth capacity in our production facilities, the effort to serve so many new customers, so quickly, brought plant utilization above the most efficient levels, increasing costs for overtime, hiring and training. Capacity was further strained in 1966 when customers accelerated their orders in anticipation of a possible strike growing out of the year's union contract negotiations. Heavy start-up costs resulted from the record expansion of facilities. In addition, some of our developing businesses, particularly computers and nuclear power generation, contributed to the decline in earnings, as discussed on pages 7 and 10.

Finally, earnings in the fourth quarter were severely affected by several labor-related factors despite the fact that new three-year union agreements were negotiated at the national level in October. These factors included: increased employment costs; the effects of a 12-week strike in Schenectady that forced us to defer shipments of large capital equipment; numerous shorter strikes that not only reduced sales at some plants but also caused component shortages and thus delayed shipments at other plants; and a fall-off in appliance sales, resulting in part from dealers' working off the inventories they had built up during the first nine months in expectation of a general strike.

The combination of all these factors resulted in 1966 earnings of $3.75 a share, 18 cents off last year's record pace, but still the second highest level in Company history.

General Electric enters 1967 with our orders backlog at an all-time high—41% above the 1965 year-end. We are challenging management throughout the Company to translate a greater part of sales growth into improved earnings. Your managers are taking vigorous action to reduce inventories and adjust production schedules. Steps are being taken to control losses in the rapidly developing computer and nuclear businesses as part of a Company-wide drive to lower costs. These efforts to consolidate the sales gains of the past two years and prepare General Electric for future growth, together with the current slowdown in some areas of the U.S. economy, will contribute to a slow start for the Company in 1967.

But the very dynamism that contributed to the problems of 1966 gives assurance that the Company's goals are sound and that General Electric people can resume their pace toward higher levels of service, renewed growth and improved returns to share owners.

February 21, 1967

Fred J. Borch

President and Chief Executive Officer

G. L. Phillippe

Chairman of the Board

1930
D313
BLK
29
1926
D309

New commercial and military projects add to GE jet engine potential

The past year was one of increased production for General Electric in aerospace and defense areas, with sales rising 22% above 1965 levels. Higher than contracted costs involved in accelerating jet engine production, together with increased supplier costs, had unfavorable effects on earnings.

Through the high volume of its developmental work, the Company is maintaining the bulk of its aerospace and defense activity in longer-term projects for national security, U.S. space programs and commercial uses of jet engines. In addition, output of some current products was increased in 1966 in support of the Vietnam war effort.

The Company made a major move toward a position in the future of commercial aviation with its winning entry in the competition for the U.S. Supersonic Transport. General Electric was selected to continue development of its GE4 turbojet engine, whose 60,000 pounds of thrust will power the Boeing SST at nearly three times the speed of sound. With full implementation of original plans, the SST is scheduled to enter service in the mid-1970's.

The SST selection was the second consecutive major engine award won by the Company in Government-sponsored competition. For the Lockheed C-5A military logistics transport, the world's largest aircraft, General Electric's TF39 engine was chosen in 1965.

GE4's for the SST, together with possible commercial versions of the TF39, can re-open this major market for the Company. While earnings from these commercial engines will not be realized for some years, they represent the next step in engine technology. Potential sales and support of GE4's alone are estimated at several billion dollars over a 20-year period.

These future-oriented jet engine programs and other long-term aerospace projects are expected to provide a growing business base under the shorter-term increases in response to immediate defense needs.

General Electric stepped up jet engine shipments by one-third in 1966. The increase resulted in part from increased demand for "work-horse" engines such as the J79 and J85 for fighters flown by U.S. military services and the air arms of 18 other nations. Deliveries of small engines for helicopters and business aircraft rose in 1966.

Business was also increased by a higher level of developmental work on power plants for aircraft of the future. One of these is called AAFSS, for Advanced Aerial Fire Support System. It is a new breed of armed helicopter designed to provide aerial escort for troop-carrying helicopters, and it will have 50% more fire power than any helicopter now in operation. General Electric is developing both its engines and armament systems.

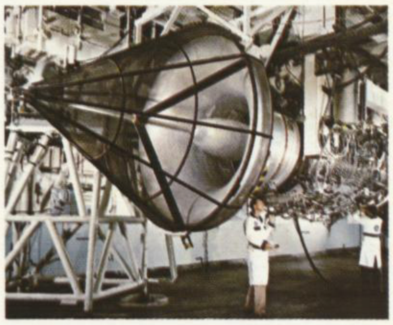
The Company is at work on two main developments for the C-5A transport, scheduled for operation in 1969. Potential orders under Air Force contracts are for over 500 TF39 fan-jet engines for C-5A aircraft. General Electric is also developing the plane's electrical system, with a higher output-to-weight ratio than any now in service.

The Company's jet engines are in service in 41 countries and are licensed for manufacture in Japan, Canada, Germany, Italy, the United Kingdom and Belgium.

General Electric continues to develop non-aircraft applications of jet engines for both military and commercial use. They provide propulsion for new U.S. Navy patrol gunboats, hydrofoil ships and air cushion vehicles that skim over water and land.

Electronic defense equipment has been developed into a substantial business by General Electric. For example, each of the new

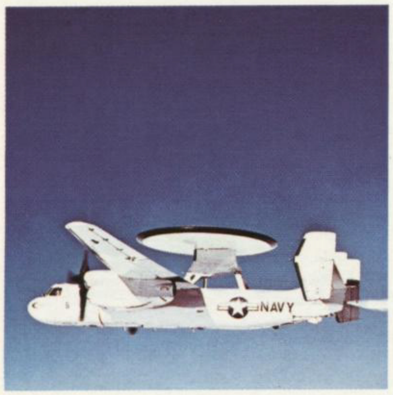
(continued on page 4)



General Electric's commercial jet engine business includes development of powerful SST engines (top) and power plants for business aircraft produced by U.S. and European manufacturers.

Air power for the U.S.: McDonnell F-4 Phantoms are equipped with GE J79 engines and electronic systems.

Electronic systems, new satellites broaden Company's aerospace work



Aerospace developments from General Electric: Nimbus II satellite which transmitted over a million photos of the earth's weather in 1966; and radar for the Navy's Hawkeye, keeping vigil for national security.

F-111A aircraft now being produced includes several hundred thousand dollars' worth of General Electric equipment, including radar, flight control, lead computing sight, armament systems, meters and instrumentation.

The Company is at work on many key phases of national security, including:

- Fire control and guidance systems for the Poseidon submarine-launched missile, given a high U.S. priority in 1966. Poseidon is expected to have twice the accuracy and payload of the Polaris missile it will replace.
- The free world's largest ship sonar—SQS-26—an advanced high-power long-range system that will greatly enhance the U.S. Navy's anti-submarine warfare capabilities.
- New radar techniques, being developed by General Electric under contract to Bell Telephone Laboratories, for the receiver portion of the Nike-X Missile Defense System's multi-function array radar (MAR).
- Gatling-type guns capable of firing up to 6,000 shots per minute. These have been an outgrowth of the Company's work on armament systems. Military demand for General Electric Vulcan and Minigun armament systems, carried by a variety of fighter aircraft, helicopters and land vehicles, grew rapidly during 1966.

General Electric's work on space projects includes both important military projects and civilian programs of space exploration and use of satellites.

U.S. military space programs seem unlikely to face any let-up in emphasis over the next several years.

One area in which General Electric has long-established systems capability is the development of re-entry systems for the country's space and weapon programs. For example, the Company is developing the Mark 12 re-entry vehicle for the Minuteman ICBM.

General Electric is planning and developing the experiments package for the Air Force's Manned Orbiting Laboratory.

Recommendations of the President's Science Advisory Committee and recently announced plans to broaden exploration of Mars and Venus brighten the outlook for U.S. civilian space programs.

For the Apollo program, whose objective is to place men on the moon and return them to earth, the Company is assisting the National Aeronautics and Space Administration by providing support in checkout, reliability and integration engineering, as well as supplying certain electrical and electronic checkout hardware. It is also furnishing management and technical services for the Mississippi Test Facility, where huge booster stages for the Apollo Saturn V vehicle are being tested.

The highly successful Gemini manned flights, completed in 1966, relied on two General Electric contributions—the radio guidance system, which has now guided all manned space launches successfully into orbit, and development of the fuel cell as a practical electric power supply.

GE radio guidance has been used for more than 400 successful launches. An advanced system is in development.

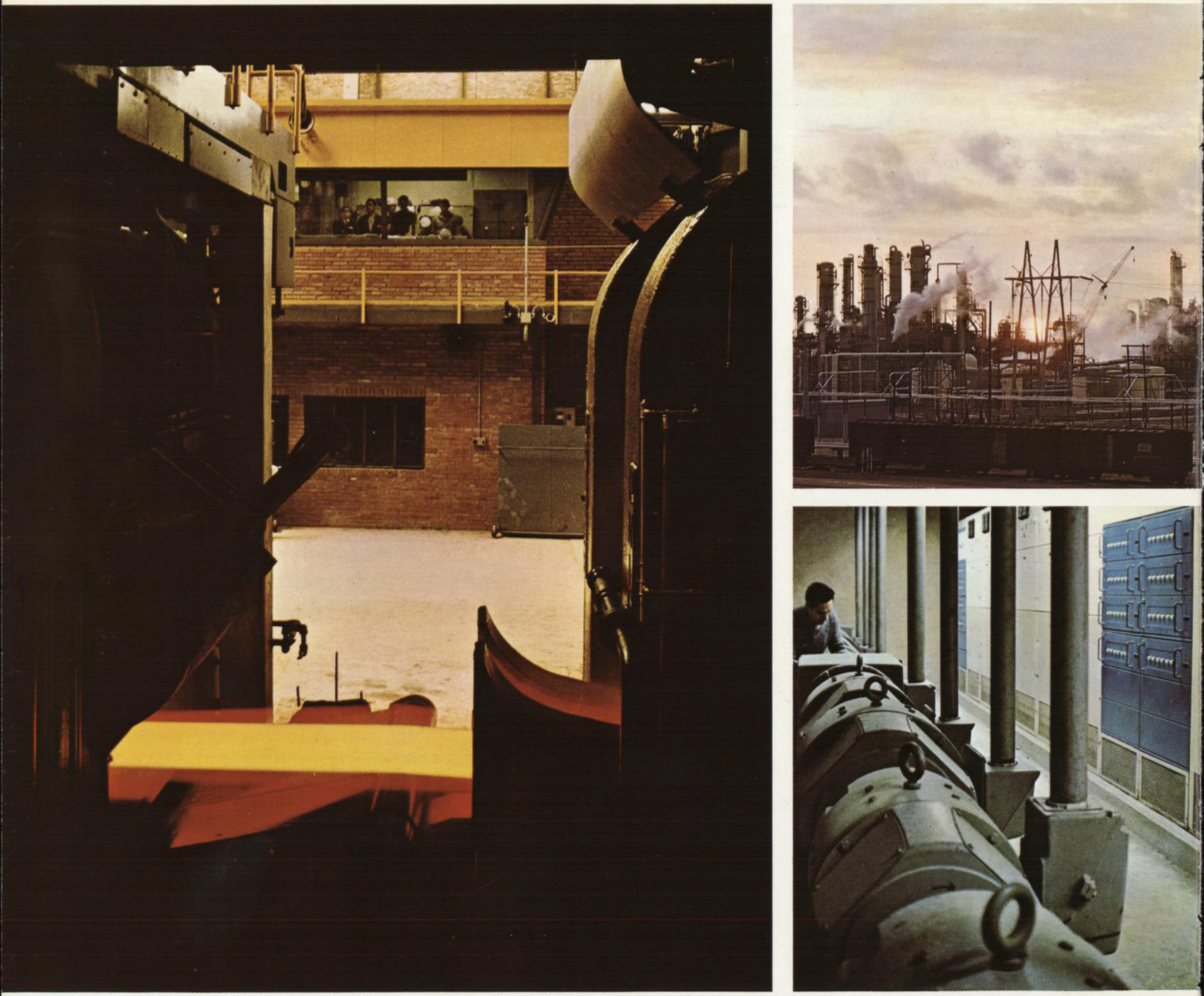
The fuel cell is under intensive development by General Electric, looking to its potentials particularly in commercial applications.

General Electric is supplying new satellites to the U.S. space program. Among these are:

- Biosatellites, a series of scientific satellites to study the effects of prolonged weightlessness and radiation on biological specimens.
- The Nimbus II weather satellite which, during 1966, performed far beyond its original objectives in sending back photographs of the earth's changing weather patterns from its spaceborne cameras.

At NASA's Mississippi Test Facility, operated by General Electric, a Saturn V booster for U.S. lunar-landing program is lifted onto test stand.

USA
USA
SOUTH
SOUTH



General Electric systems increase productivity at Spanish steel mill, computer-controlled U.S. petrochemical plant and Chilean paper mill.

GE automated systems help build industrial productivity

General Electric's highly diversified business in industrial components and materials showed a further sales increase of 19% in 1966, and the Company entered 1967 with record backlogs for industrial drives systems business.

The Company competitively serves three basic needs of world industry:

- The need to modernize and automate production facilities and expand capacity. U.S. industry maintained the upsurge in plant modernization that began early in 1963. In other countries, high priority was placed on building industrial capacity. General Electric serves this market by supplying "total capability"—the full product range from sensing devices to heavy drive motors.
- The need to improve information handling by utilizing electronic data processing. General Electric has established the bases to compete worldwide in this fast-growing industry.
- The need for better components and materials in order to build more competitive products. Record levels of output by manufacturing companies have broadened the market for GE electrical and electronic components, chemicals, plastics and other materials.

Together these three main businesses make industrial sales the largest single segment of General Electric's total sales.

General Electric in 1966 supplied automated systems for such diverse industries as steel, sugar, paper, textiles and mining.

The Company's developments are making it economical to replace old systems with new. Solid-state Directo-Matic® controls, for example, permit far greater reliability, sensitivity, flexibility and cost-saving than equipment they replace.

In the drive for added efficiency, a strong trend is toward continuous-process facilities under computer control—a technology in which General Electric has a great depth of experience. At the end of 1966, GE process computers installed and on order were almost double the number at the start of the year. Applications included steel rolling, petrochemical processing and aluminum refining.

The Company completed development and started production of the GE/PAC 4020 process computer—a compact, versatile unit making extensive use of integrated circuits.

Another leadership area for General Electric is in numerical controls for machine tool automation. Sales of the Mark Century numerical control line increased more than 50% over 1965. More than 30 European machine tool builders are using GE numerical controls supplied by one of the Italian affiliates.

In recognition of the growth opportunities in advanced control systems, the Company's capabilities in process computers, controls, instrumentation and communications were brought together into a new Industrial Process Control Division with the object of offering customers a coordinated line of products.

In the information systems business, current operating losses were higher than projected because of difficulties involved in meeting a very sharp increase in shipments, and because of expenses in integrating worldwide product offerings. Substantially increased costs were also encountered in getting some new systems into operation.

Vigorous programs to reduce costs and coordinate operations have been initiated and some of these problems have been solved. But it must be recognized that this important business is still some time away from emerging from its loss position.

While this is partly due to the heavy costs and investments involved in this complex and rapidly developing technology, it is also due in part to the rental nature of most of the com-

(continued on page 9)

Included in the GE international computer line: compact Gamma 55 from Bull-GE in France (top); new Dartmouth College GE-625 system produced in U.S.; small-scale GE-115 from Olivetti-GE in Italy.

A mosaic of service to industrial customers—nine types of components and materials supplied by General Electric, described in text at right.

Chemicals, components, materials show further sales gains

puter business, which builds up potential rental income for future years while requiring current write-off of substantial portions of costs.

General Electric realigned its information systems businesses in four main components within the Information Systems Division:

- Information Services, operating 12 Information Processing Centers in the U.S. and including the Medinet Department.
- Information Systems Equipment, headquartered in Phoenix, Ariz., including the Memory Equipment Department, Oklahoma City, Okla.
- Overseas Operations, representing Company interests in the Bull-General Electric companies in Europe; Olivetti-General Electric S.p.A. in Italy; De La Rue Bull Machines, Ltd., in England, in which General Electric acquired a 25% direct interest in addition to the 50% interest owned by Bull-GE; and other overseas operations.
- Systems Development and Components, directing and coordinating GE developments for information handling systems.

General Electric is rapidly expanding its time-sharing computer service to customers. This development places the power of a large central computer at the desks of engineers, scientists and business problem-solvers for a moderate cost. Thus it opens computer use to a far larger group of customers.

Components and materials supplied to industrial customers continued to be a solid contributor to GE sales and earnings. Examples of this business are illustrated at the left.

1. Component products include electric motors and controls, lamp ballasts, specialty transformers and industrial heating products. Shown: new Hyper-Servo® motors for computer uses—50 times faster in response than standard d-c industrial motors.

2. Construction industries products provide the electrical distribution system for schools, offices and industrial plants as well as a growing range of products for homes.

3. Capacitors range from large units for use by utilities to small components for various electronic applications. Growth of this business has required a major expansion of facilities at Fort Edward, N.Y.

4. Noryl® thermoplastic resins, another product of GE oxidative coupling chemistry, was added in June to the Company's line of tough polymer plastics. This new material quickly won acceptance in applications from housings for office equipment to plumbing fixtures.

5. Silicone products are finding increasing use not only as construction sealants but as coating and surfacing materials, low-temperature lubricants and specialized rubber compounds. Largest expansion in the 19-year history of this business is currently under way.

6. Man-Made® industrial diamonds from General Electric give superior performance in grinding, sawing and drilling tools. A promising 1966 development: diamond "thermistor" for use as temperature sensing element. An additional site for diamond production was purchased at Worthington, Ohio.

7. Carboloy® advanced-design metalworking tools and tooling systems make possible high-efficiency machining by industry, increasing output and greatly reducing production costs.

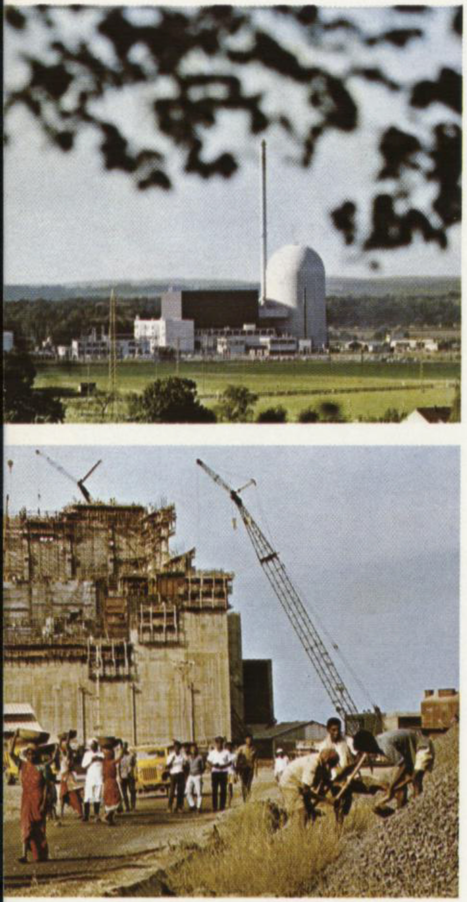
8. Rechargeable batteries of many types and sizes are used in GE appliances and in the products of many other manufacturers.

9. Timers and controls are produced by General Electric for a wide variety of appliances.

General Electric's business with industrial customers is backed by a worldwide service organization. A total of 55 GE Service Shops employ 3,500 technicians to keep industrial equipment operating. Industry can also call on the skills of over 1,500 field service engineering personnel.

Employees of Simplex-GE, a British affiliate owned jointly by Tube Investments, Ltd. and General Electric, produce general purpose controls to GE designs.

Nuclear energy takes the lead in power generation orders



Nuclear plants overseas include the new Gundremmingen plant in operation in West Germany (top), and the Tarapur plant under construction in India.

Faced with soaring demand for electrical energy, power producers around the world turned increasingly to nuclear generation in 1966, ordering over 19 million kilowatts of nuclear capacity from U.S. manufacturers—up 235% over 1965.

Orders for generating equipment rose sharply, running ahead of strong gains in orders for electrical transmission and power distribution apparatus.

Operations at General Electric facilities serving the power industry were pressed hard against capacity, requiring expansion of plant for several product lines. Backlogs at year end were at the highest levels in Company history, filling delivery schedules for larger types of equipment for several years ahead.

General Electric's 1966 sales of electrical apparatus rose 10% despite a prolonged work stoppage in Schenectady, N.Y., that delayed important customer deliveries and deferred sales and earnings.

Although over half the capacity additions ordered from General Electric in 1966 were for nuclear units, earlier commitments made to win customer acceptance of this new technology continue to affect earnings.

Some of the nuclear plants now under construction were committed on a "turnkey" basis. That is, the Company agreed to furnish a complete generating plant at a firm price, recognizing that in this new technology utility industry experience was very limited. Worldwide site preparation and construction costs have risen very sharply over the levels estimated when the Company undertook most of these turnkey projects. Further losses will be incurred in filling those turnkey orders still on the books.

During the year, General Electric announced that it would no longer accept orders for turnkey nuclear plants in the U.S. but would supply nuclear steam equipment and fuel to power producers as part of the generating stations, just as it supplies turbine-generators, auxiliaries and other station components for fossil-fueled and hydro plants. This withdrawal from the turnkey business in favor of the equipment supply business greatly reduces the Company's risk and should help make nuclear energy a new source of General Electric earnings.

The Company's leadership in this new industry was clearly established in 1966. Orders were received for 12 reactors, raising to 29 the number of GE nuclear power reactors that are either operating or are in various stages of design and manufacture.

Major orders in the U.S. included Philadelphia Electric's order for two 1,075,000-kw units and the Tennessee Valley Authority's order for two 1,075,000-kw reactors for its Browns Ferry station. Commonwealth Edison's orders for a third nuclear unit at its Dresden Station, and two nuclear units for its new Quad Cities station, will make its system 25% nuclear by 1971. Other orders included: Niagara Mohawk, 760,000 kw; Northern States Power Co., 545,000 kw; and Vermont Yankee, 540,000 kw.

Overseas, General Electric won new orders from customers in Japan and Switzerland.

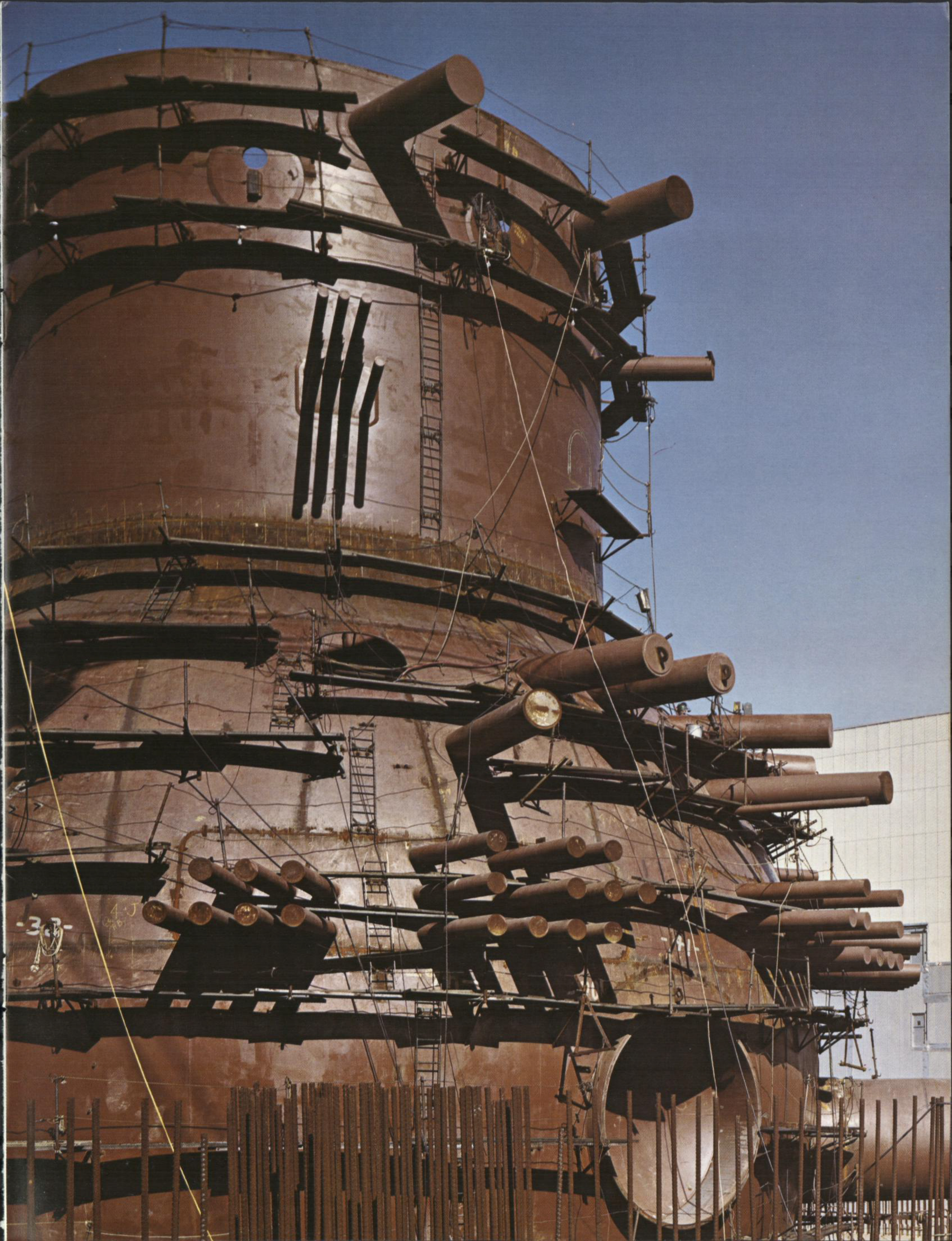
The Company signed licensing agreements with two Japanese companies and is planning to form with them a joint nuclear fuel manufacturing company in Japan.

To supplement present nuclear production facilities, the Company announced plans for a new plant near Wilmington, N. C., to produce equipment components and fuel for nuclear power plants. It is scheduled to go into operation in early 1969.

Looking further into the future, General Electric is now participating financially and

(continued on page 13)

More nuclear power for Chicago: work on containment vessel for second of three GE nuclear reactors at Commonwealth Edison's Dresden Station.


P
P
-3-3-
4 J
-4-

New capacity added in transmission, distribution equipment

technically in the construction of the SEFOR sodium-cooled fast reactor experiment near Fayetteville, Ark. This plant, which will be owned by Southwest Atomic Energy Associates, will be operated by General Electric and provide technical knowledge on safety and performance for future commercial "breeder" plants that will generate electricity while producing fuel for other nuclear plants.

The Company is also developing technology in the field of fuel recovery which will grow into an important industry as more atomic stations come on line.

Orders placed with the Company for steam turbine-generators totaled nearly 25 million kilowatts—up 69% over 1965.

Export sales in 1966 included shipments of large 600,000 and 500,000-kw units to Japan.

The Company's substantial past investments in the development of gas-turbine technology made it a growing contributor to earnings in 1966. Orders for gas-turbine peaking units increased more than ten times over the 1960 level, requiring an expansion of manufacturing facilities. Gas turbines are in demand overseas because of their low investment cost per kilowatt, and their short on-site construction cycle. About 20% of 1966 orders came from customers overseas.

Sales of power transmission equipment are rising as power producers continue to stress system interconnection. Today the power industry is committing not 15% as in the past but nearly 25% of its capital budget to transmission. To meet this demand, General Electric launched in 1966 a three-year construction program that will substantially increase its manufacturing capacity for transmission apparatus. As part of this program, transformer and switchgear facilities in Pittsfield, Mass., Rome, Ga., and Burlington, Iowa, are being expanded to allow increased production of units in the voltage ratings being demanded by customers.

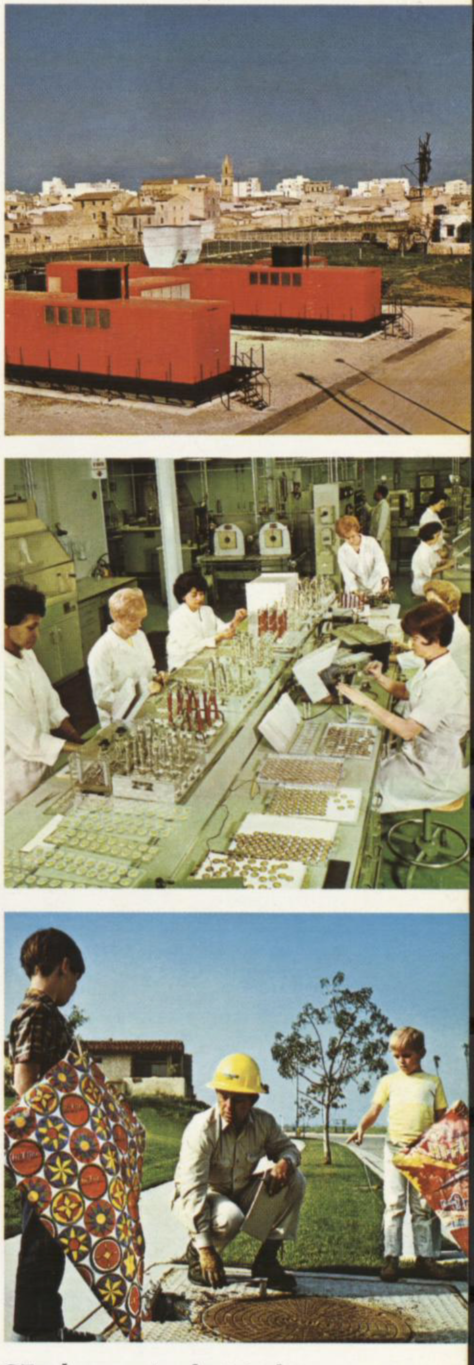
New GE developments in application of silicon controlled rectifiers include higher-powered devices for power transmission. SCR's are having a major impact on power conversion technology because these reliable static "valves" can change alternating to direct current, dc to ac, change frequency or interrupt megawatts in microseconds.

Major progress was made on the high-voltage direct-current system that will transmit power from the hydro-electric generators in the Pacific Northwest to the densely populated Los Angeles area. General Electric and the Swedish firm ASEA are jointly developing the Pacific HVDC Intertie Project. A GE prototype transformer for an HVDC terminal was built and successfully tested.

Distribution equipment sales rose in 1966, with the major impetus coming from sales of underground and pad-mounted transformers. The trend to underground distribution is gathering momentum as more and more communities recognize its contribution to beauty and to distribution reliability. By 1970, 60% of all new electrical distribution systems are expected to be underground.

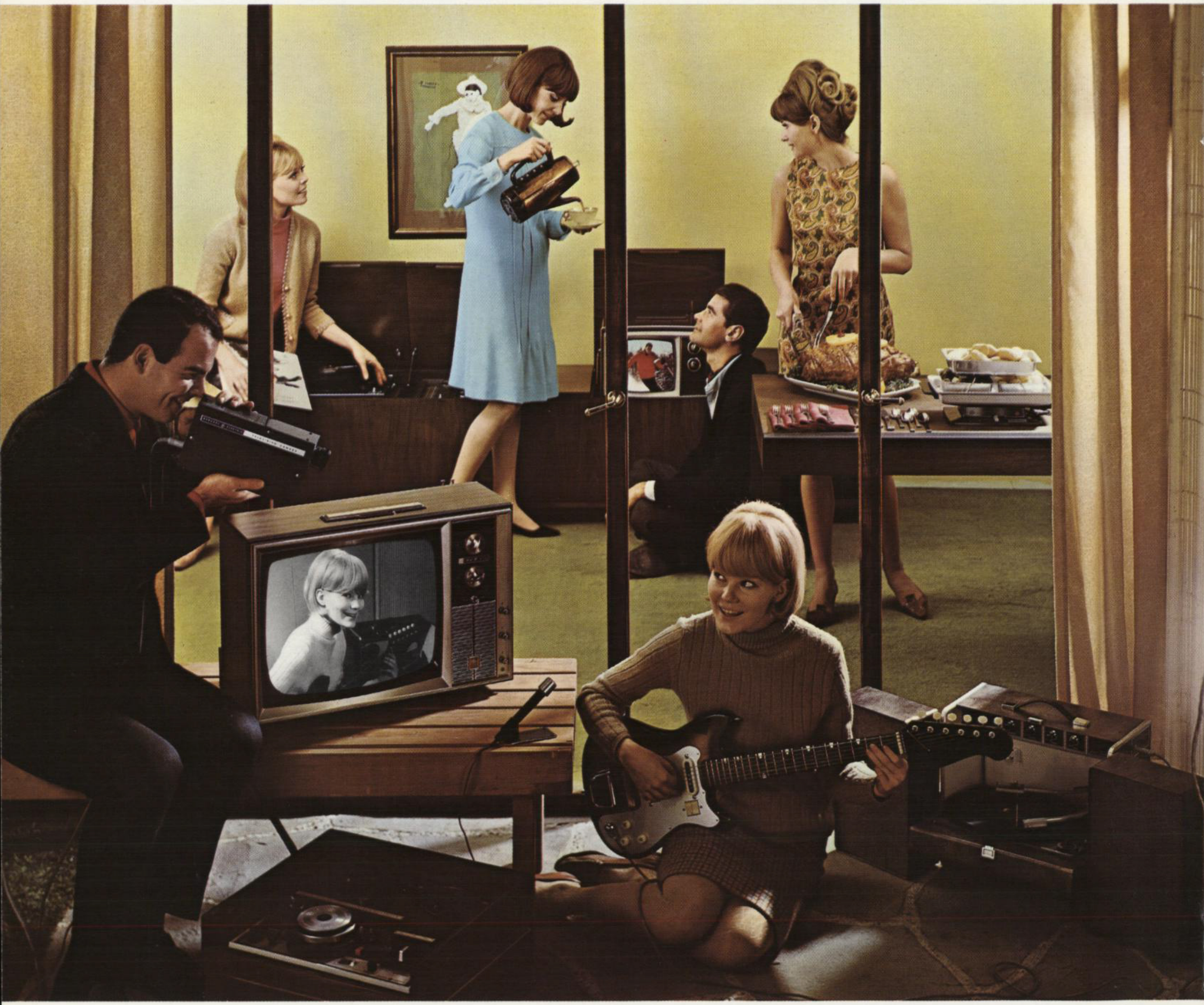
General Electric is moving ahead in this area with innovative products and with increased productive capacity. The "Leap-frog" line of underground transformers, with new SAF-T-CON® terminations, greatly reduces the time required to locate faults in underground systems. The Town and Country® streetlighting luminaire has been specially designed for use with underground systems.

A new facility for production of distribution transformers is in operation in Merced, Calif., and the Hickory, N. C., plant has been expanded. A new power distribution research facility neared completion in Pittsfield, Mass.



GE advances in electrical technology—gas-turbine power plant for Majorca (top), production of silicon controlled rectifiers, and (bottom) underground distribution of electric power.

The most recent large steam turbine-generator addition to Dallas Power & Light's North Lake Station represents a meeting of two GE technologies—highly efficient generating equipment and process computers for monitoring and control.



New from General Electric: foreground—video tape recorder, being used to tape performance on electric Guitarmate; background—party accessories, including new automatic food cooker and stereo console with special "deck" for Porta-Color TV.

Company builds worldwide sales in products for electrical living

General Electric's consumer goods businesses increased sales by 12% in 1966, scoring their sixth consecutive record year. The gains were achieved despite several adverse factors:

- A slowing in sales in the fourth quarter, partly as the result of dealers' working off inventories built up during the first nine months of the year in anticipation of a possible major October strike against the Company;
- The low level of housing starts in 1966;
- Strikes at Appliance Park and a number of other consumer goods facilities; and
- Selling prices for GE consumer goods that continued well below 1950 levels.

Consumer Electronics Division realized the year's fastest growth among the Company's consumer goods businesses. Porta-Color TV, other portable TV sets, radio receivers, small tape recorders, the new PE-250 color TV camera and portable phonographs led the way.

Sales of large color TV receivers were limited for the major part of the year by a shortage of color picture tubes; new color tube facilities in Syracuse, N.Y., will begin production shortly.

The Division established new components in 1966 to bring a sharper focus to such growth sectors of the electronics market as TV broadcast equipment, closed-circuit TV, tape products, and products appealing to the 12-and-under age group.

Major Appliance and Hotpoint Division contributed the greatest volume of sales. Organized jointly to improve efficiencies and avoid duplication, General Electric and Hotpoint are maintained as two separate and distinct brands. Sales gains for both in 1966 ran generally across all product lines, as features that add convenience for customers gave the Division its competitive thrust. GE ranges with self-cleaning ovens, for example, nearly doubled their 1965 sales.

The new General Electric Versatronic range pictured at right, being developed for national markets in late 1967, combines the speed of electronic cooking with the convenience of a self-cleaning oven.

The Lamp Division realized its greatest sales increase in several years, the result of gains by photolamps, incandescent, fluorescent, high-intensity, miniature and Christmas lamps. Operations originally established to make GE lamp parts increased their external sales, led by such products as fused quartz, phosphors for TV color tubes and tungsten powder for carbide cutting tools.

The Housewares Division achieved record sales through increases in its three broad types of products: portable appliances, including irons, toasters and percolators; clocks and personal care products, including toothbrushes and hair-dryers; and home care and comfort products—vacuum cleaners, floor polishers, blankets and heating pads.

General Electric is developing consumer goods operations in overseas markets.

Better living through the use of electrical products is sought increasingly by people in many lands. To serve these wants and needs, General Electric has been adding to and strengthening its overseas operations.

In 1966, two new producers were acquired by the Company in Europe. Kuba GmbH—a West German company that is among Europe's largest TV manufacturers—became an affiliate of the Consumer Electronics Division. Apag, a Swiss consumer goods producer, was added to the Housewares Division.

Modernization of facilities is under way at other operations, including those of affiliates in England and Australia.

General Electric Credit Corporation established a wholly-owned affiliate in Germany.

New overseas departments were organized

(continued on page 16)

New GE offerings to consumers include the 2.1-cubic-foot portable refrigerator manufactured in Italy (top), the Versatronic range that cooks food electronically and the Hotpoint clothes dryer that senses dryness level automatically.

Electrical living: GE operations plan for long-term growth

Overseas affiliates turn out products for their markets: refrigerators for Australia; lamps for the Philippines; and TV for Europe, produced by new Kuba affiliate.

both for the major appliance and lamp businesses. These link domestic operations directly with those abroad, as was done in the past with the housewares and consumer electronics businesses. The Overseas Major Appliance Department, for example, becomes responsible for appliance exports and the Company's investment in assigned affiliates such as that in Australia.

Markets in Canada, Latin American countries and elsewhere are served by long-established affiliates whose product range includes consumer goods.

U.S. facilities for many General Electric consumer goods lines are being expanded in anticipation of long-term growth. Major expansions are under way at Appliance Park in Louisville, Ky., and at other locations.

The outlook for these businesses is favored by demographic and economic factors that include: steady growth in population, especially in the 20-34 age bracket that gives the industry its largest group of customers; the high rate of family formations whose need for housing will require higher levels of housing starts; and the growing affluence of consumers, with an increasing percentage of families enjoying incomes above $10,000.

General Electric is in a strong position to serve these needs through advances both in the U.S. and abroad. Representative of the steps taken to improve costs was the 1962 formation of the E. I. Company Ltd., in Shannon, Ireland, to produce low-cost electronic components. The E. I. Company has helped General Electric stay competitive in radios and TV receivers and in 1966 began expanding its product range and capacity to serve both European and U.S. operations.

General Electric's emphasis on improving product reliability is reflected in declining rates of in-warranty service calls. Quality in manufacture enables the Company to extend warranty times, as exemplified by the full year on carry-in service for Porta-Color TV and by the three-year warranties on the new microelectronic clock radios.

General Electric is constantly striving to improve after-sale service. The Company's extensive service organization includes 84 metropolitan service systems for GE and Hotpoint major appliances, Servicenters for electrical housewares and portable entertainment products and many independent agencies trained to meet GE service standards.

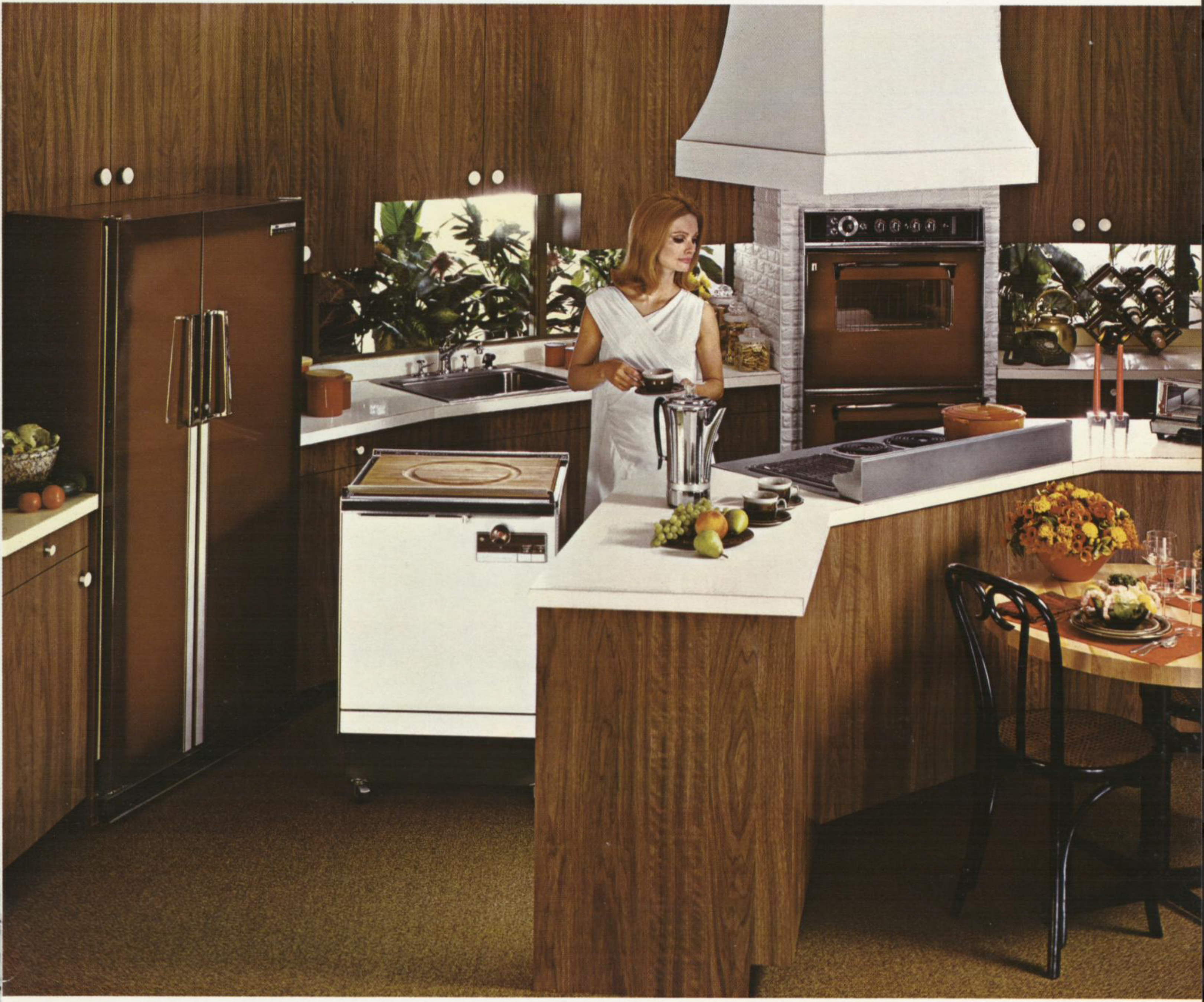
General Electric research and development provide a constant source of new features and conveniences. The housewares business, as an example, has grown from 22 product lines in 1956 to 52 lines in 1966. New products introduced in 1966 included a rechargeable flashlight, an automatic food cooker, a vacuum sweeper, an electric clothes brush and a powered manicure set.

Hotpoint introduced a new line of modern built-in ranges and dishwashers specifically designed to appeal to customers owning earlier types of built-ins.

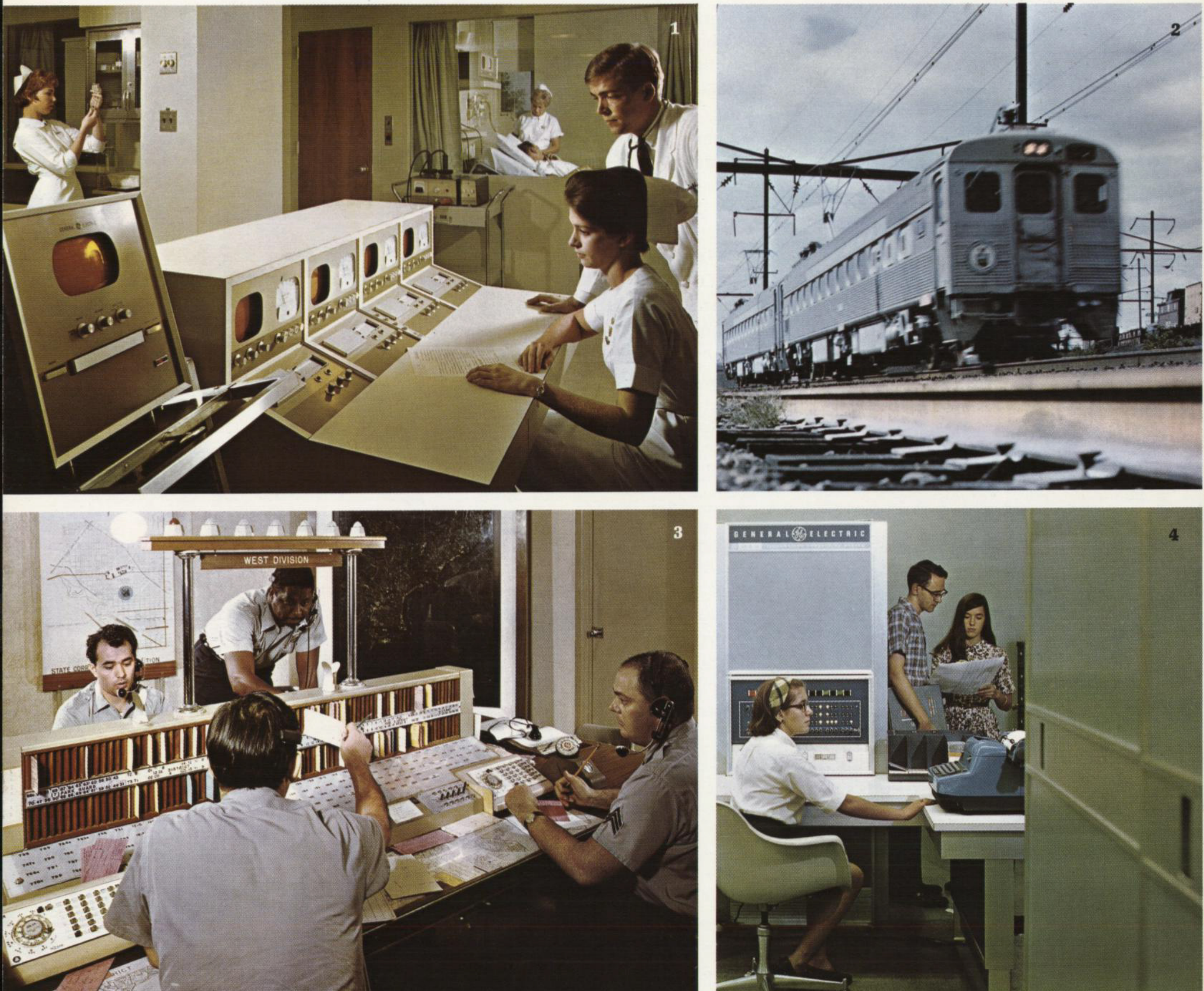
General Electric's line of Fashionette room air conditioners with cases of tough GE Lexan® plastic, a complete sell-out in 1966, is being expanded by three new models.

The Lamp Division developed a new DeLuxe White line of mercury lamps whose color quality makes practical for the first time the use of mercury lighting in the interiors of commercial and institutional buildings.

The Consumer Electronics Division is moving rapidly in adapting integrated circuits to household products. Other innovations by the Division include a home video tape recorder and a stereo library enabling the customer to select, record and dial playbacks of up to 28 hours of his favorite music.



Hotpoint's family-planned kitchen features side-by-side refrigerator-freezer, a compact portable dishwasher, a surface section with barbecue well for "outdoor" cooking, and built-in double oven with non-stick slide-out panel walls.



GE technologies for improving community services: electronic monitoring of coronary patients; propulsion for high-speed transit; police radio communications system; computers for educational use.

Electrical living: new ventures broaden Company's community role

General Electric's electrical and electronic capabilities offer an array of products and systems to meet many of the problems caused by the rapid growth of the great urban communities. With U.S. concern for urban problems mounting at local, state and federal levels innovations in this area provide the seeds of new businesses with growing potential in the interests of share owners.

Electric heat is an ally in the cities' fight against air pollution. Electrical space conditioning, by which lighting heat is controlled and distributed where needed, is used in commercial, industrial and public buildings. And General Electric offers heat pumps which heat in the winter and cool in the summer.

General Electric contributes to better broadcasting in several ways: operation of community antenna systems that provide better and more varied TV reception in five U.S. communities, with two more systems under construction; operation of TV and AM-FM stations in Schenectady, N.Y., and Nashville, Tenn.; and supply of equipment for broadcasting, including equipment for a number of new Latin American TV stations.

The range of other General Electric developments that meet the needs of cities is indicated by the examples at left:

1. Medical care is receiving heightened attention from General Electric. In addition to the patient monitoring system pictured, the X-Ray Department announced the new Stereo Fluoricon, which gives physicians a three-dimensional view inside the human heart and other organs, making medical treatment quicker and surer. The Department also increased production of GE Cardiac Pacemakers —miniature devices which electrically stimulate and pace the heartbeat of persons suffering from weakened or damaged hearts. And a new Medinet Center is being constructed at Watertown, Mass., to supply a GE information-handling service to the expanding field of hospital and medical data processing.

2. Electric rapid transit supplies a needed balance to urban and inter-city transportation systems. Developments from General Electric include high-performance propulsion systems such as those on new test cars for the Northeast Corridor project. Service linking New York and Washington with speeds up to 160-mph is scheduled to begin next fall.

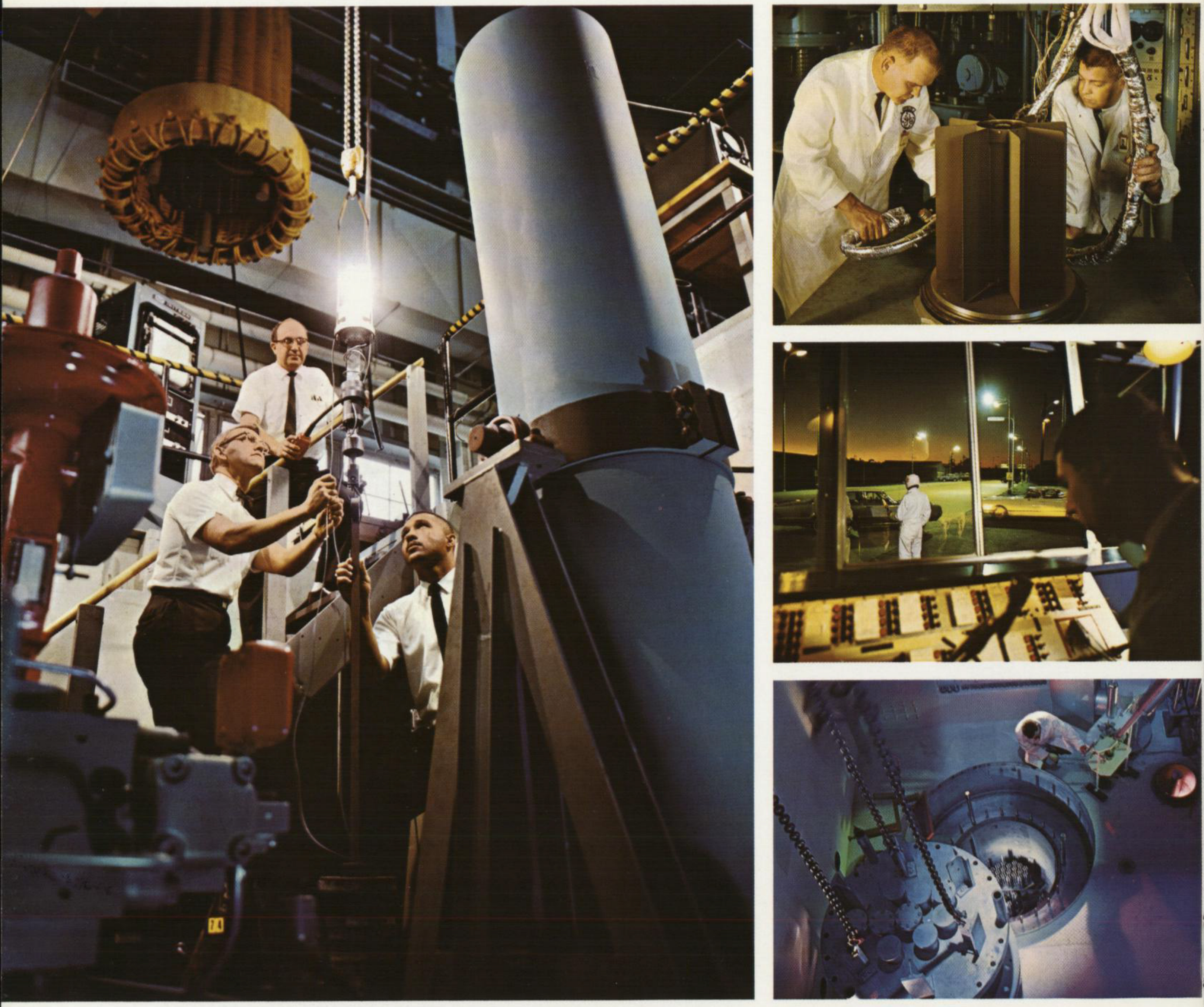
3. Communications systems from General Electric enable police, fire and other community services to respond more quickly.

4. Education—The Company's major interest centers in the General Learning Corporation, a jointly owned educational venture with Time Incorporated, formally organized in 1966. GLC's emphasis is on developing the coordinated use of editorial materials and electronic technologies for both formal and informal education. An important supplier of textbook materials to the formal school system, the new corporation is also operating the Job Corps Training Center in Clinton, Iowa, under contract to the U.S. Office of Economic Opportunity. The Center is providing basic education, work skills and citizenship training for disadvantaged young people.

Coordination of the Company's community developments into systems for prototype communities is now under study by the Community Systems Development Division.

Financial support of education in the U.S. is provided by General Electric. In 1966, the Company authorized contributions totaling $1.1 million, including assistance in supplying equipment for educational use. The General Electric Foundation, a Trust established by the Company, contributed $1.5 million to more than 650 educational institutions. The Foundation's annual report is available on request.

Other General Electric community services: community antenna TV at Merced, Calif., and lighting of St. Louis' new stadium.



General Electric's search for new business ideas: at left, scientists of the Research and Development Center conduct materials research; at right, product laboratories develop (top) nuclear power plant for use on moon; (center) better outdoor lighting; and (bottom) advanced nuclear reactors.

Research and development focus is on growing new businesses

Through its multinational research and development organization, General Electric carries on a continuing search for new ideas that can build additional competitive strengths and open fresh business opportunities.

Elements of this organization are:

- The Research and Development Center in Schenectady, N.Y., where 675 technical graduates and 1,150 supporting personnel conduct studies in today's major scientific fields.
- The Manufacturing Laboratory, also located in Schenectady, N.Y., developing advanced manufacturing processes and equipment.
- More than 100 laboratories serving the needs of specific domestic product operations.
- Advanced engineering operations doing developmental work for domestic product organizational components.
- Laboratory activities of the Company's overseas affiliates.

The scope of General Electric research and development efforts in the U.S. is illustrated at the left. Studies of the effects of hydrostatic compression on metal stresses, conducted at the Research and Development Center (far left), may lead to better methods of shaping and forming metals.

Snap 27, developed at the GE Valley Forge Space Technology Center (top left), is a portable nuclear power plant that astronauts will leave on the moon to power an experiments package for a full year.

At the Company's "Crossroads of Light" (center), a vast outdoor laboratory in Hendersonville, N.C., engineers are perfecting better outdoor lighting systems for increased safety and beauty.

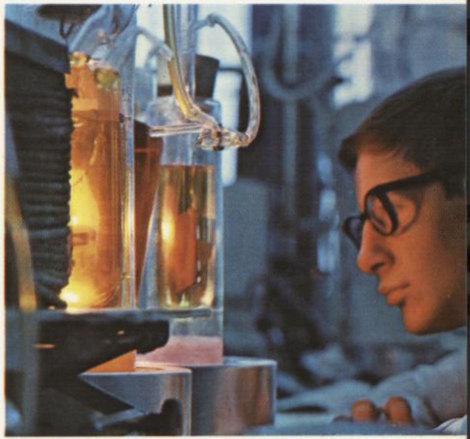
At San Jose, Calif., work continues (bottom) on advanced "breeder" reactors for nuclear power plants of the future.

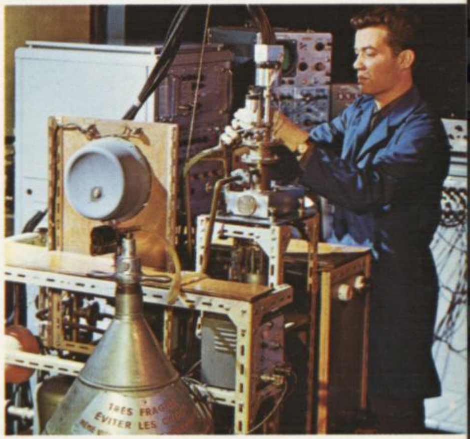
Examples of supplementary research by overseas affiliates are illustrated at the right.

New discoveries in the past have led to entire new businesses for General Electric. These include silicone chemicals, vacuum-switch technology, semiconductor devices and fabrication techniques, Man-Made® industrial diamonds, new lubricants and new types of rechargeable batteries.

Looking ahead, planners of General Electric research and development programs foresee major contributions to future Company business in such areas as:

- More efficient electric batteries and fuel cells, which may change living patterns, including that of personal transportation.
- Continued improvement in the properties of synthetic polymer materials, and their eventual use in virtually every type of manufactured article.
- New methods of detecting—and preventing—the pollution of air and water.
- Tiny integrated circuits, already revolutionizing the design of electronic products, that will make electronic control available for countless new everyday applications.
- The interaction of physical sciences and medical sciences to create new life-saving devices such as heart-lung machines and environment-control systems.
- Application of a unique low-temperature phenomenon, superconductivity, to the generation, transmission, distribution and use of electricity.
- Control systems, based on new mathematics and new electronic devices, that will insure the reliability of large-scale transportation and power systems.
- Basic new ideas for generating light more efficiently, and for creating light sources of greater value to customers.
- High-temperature metals for the space age, created by new metal alloying and coating techniques from GE metallurgical research.





New international dimension is added to GE development by advanced work in overseas affiliates: (top) chemical studies by Netherlands affiliate; (bottom) Bull-GE work in France on cryogenic computer circuitry.

1966 Financial Summary

This summary comments on results for the year, generally in the same order as they appear in the financial statements on pages 25 and 26.

Basis of consolidation. The financial statements and accompanying schedules in this report represent a consolidation of the accounts of the parent—General Electric Company—and those of all majority-owned affiliates (except sales finance affiliates). Also included are Company managed affiliates which are approximately 50% owned by General Electric Company. All significant intercompany items have been eliminated from the consolidated statements.

Except for fixed assets and accumulated depreciation relating thereto, assets and liabilities of foreign affiliates have been translated into U.S. dollars at year-end exchange rates and income and expense items have been translated at average rates prevailing during the year. Fixed assets and related depreciation accumulated during 1966 and prior years have been translated at rates in effect at dates of acquisition of the assets.

Net earnings amounted to $338.9 million, or $3.75 a share in 1966, a decrease of 5% from the prior year's earnings of $355.1 million or $3.93 a share. This decline was attributable to several factors as discussed in the Overview by the President and Chairman on page 1.

The net earnings reported include those of sales finance affiliates and the consolidated group's share of earnings of those companies which were not consolidated but in which the group owned approximately 50% of the voting stock.

Sales of products and services to customers totaled $7,177.3 million in 1966, an increase of 16% over the prior year. Sales in each of the Company's four major product categories showed substantial gains, as indicated in the chart of worldwide sales on the inside front cover and discussed further on pages 2 through 19.

Expenses directly reimbursed by the Atomic Energy Commission for atomic projects at Richland, Wash., Schenectady, N.Y., and St. Petersburg, Fla., are not included in sales and, as shown on page 25, have been eliminated from costs.

Net earnings of General Electric Credit Corporation, a wholly-owned nonconsolidated sales finance affiliate, amounted to $11.3 million in 1966, an increase of 8% over 1965. This increase was achieved in face of record high interest rates paid on funds borrowed during the year. The Credit Corporation's volume of financing rose to $1,500.4 million in 1966, an increase of 11% over 1965. It consisted of $835.6 million in consumer time-sales financing, $194.1 million in commercial and industrial time-sales financing, and $470.7 million in inventory financing. Financial statements for the Credit Corporation are shown on page 28.

Other income includes income from marketable securities and miscellaneous investments, interest from customers and income arising from agreements for use of Company patents and know-how.

Employee compensation, including Company cost of employee benefits, rose to a record level of $2,930.3 million in 1966. Average annual compensation for employees in the United States during 1966 amounted to $8,907.

The Company and its affiliates have a number of pension plans. All Company employees in the U.S. are eligible to participate in the General Electric Pension Plan after completing one year of service, and substantially all eligible employees are participating in the Plan. Company contributions to the General Electric Pension Trust, included in employee compensation costs, totaled $32.1 million in 1966, compared with $43.2 million in 1965. Statements for the Trust appear on page 32 of this report.

The estimated rate of future earnings on Trust assets was increased from 4.15% to 4.30% in 1966, in recognition of long-term improvements in earnings of the Pension Trust. This change reduced the estimated amount of assets needed now to pay pensions as they come due in the future and thus resulted in a reduction of Company contributions.

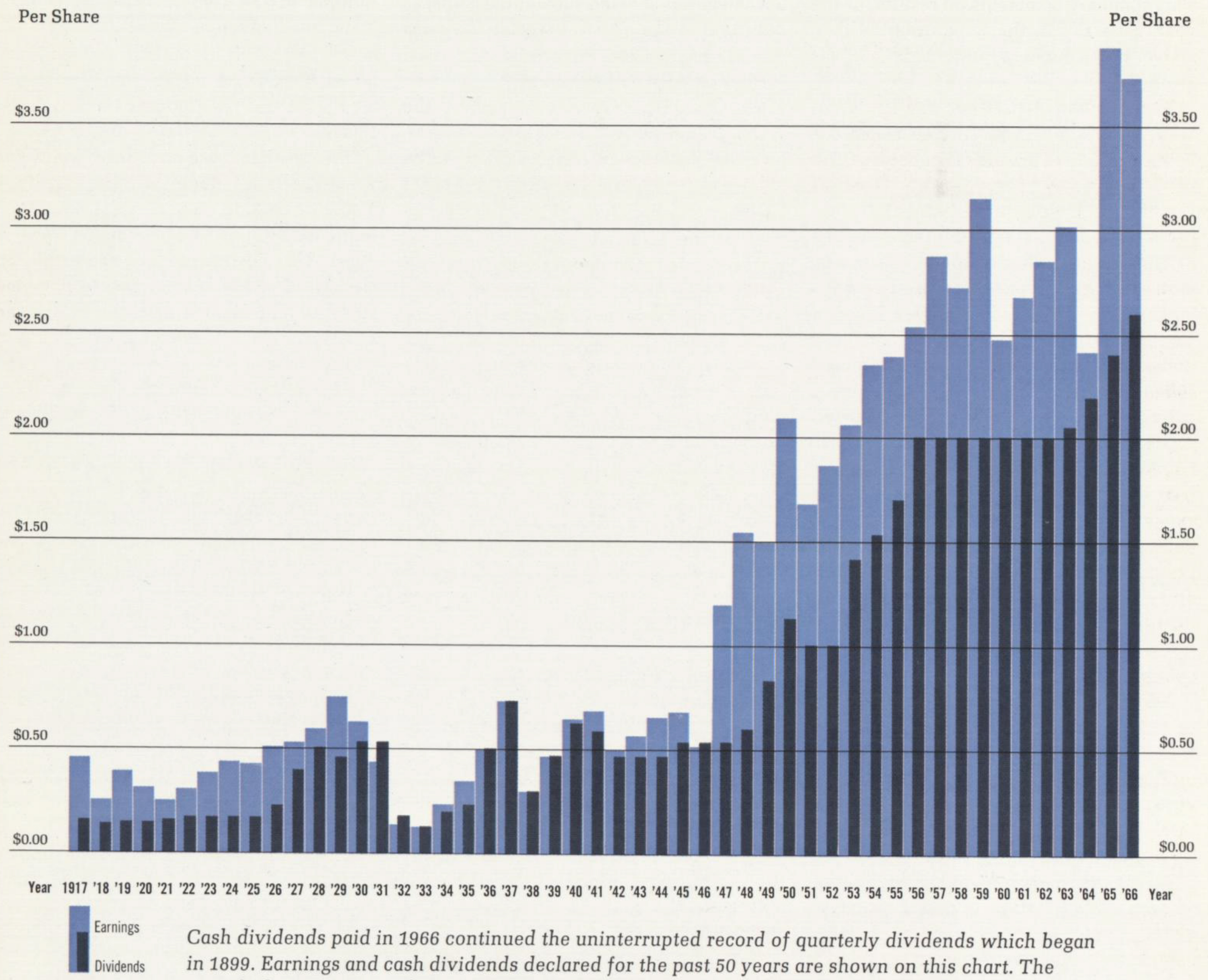
Depreciation amounted to $233.6 million in 1966, compared with $188.4 million in 1965.

Beginning with the 1962 tax return, "guideline lives," published by the Internal Revenue Service, were adopted in computing depreciation allowable for U.S. tax purposes for most facilities other than buildings. This change has resulted in higher depreciation for tax purposes than book depreciation in the years since adoption. It has had no effect on the Company's net earnings, however, because the provision for U.S. income taxes includes an amount for taxes payable in the future when tax depreciation will be less than book depreciation.

The U.S. investment credit, of up to 7% of the cost of certain new equipment, amounted to $13.9 million in 1966, compared with $9.0 million in 1965. Effective October 1966 the Government temporarily suspended the investment credit on most purchases of this equipment. The investment credit is being carried in other liabilities and added to income over the life of the underlying facilities. In 1966, $4.2 million was added to income, compared with $3.0 million in 1965.

(continued on page 24)

Dividends paid for 68th consecutive year



Cash dividends paid in 1966 continued the uninterrupted record of quarterly dividends which began in 1899. Earnings and cash dividends declared for the past 50 years are shown on this chart. The 1966 declaration was 69% of net earnings, the same as the average rate over the 50 years shown. Earnings per share are based on the average number of shares outstanding for each year. The data have been adjusted for stock splits and are therefore stated in terms of present common stock. There have also been, from time to time, dividends distributed in the form of stock.

Taxes, except those on income, amounted to $61.7 million in 1966, compared with $51.6 million in 1965. These taxes are mainly franchise and property taxes. They exclude (1) social security taxes (included with employee benefits), (2) indirect taxes which are not ascertainable in the cost of materials and services purchased, and (3) certain excise and sales taxes not recorded in sales or costs.

Interest and other financial charges increased to $39.9 million in 1966 from $27.4 million the previous year. This increase was attributable to higher rates of interest and to increased borrowings to help finance higher receivables and inventories and to provide funds for expansion and improvement of the Company's facilities throughout the world.

Provision for income taxes and renegotiation amounted to $347.4 million in 1966. Renegotiation represents a net provision for that portion of earnings on sales to the U.S. Government which may later be claimed by the Government. The U.S. income tax returns of the Parent Company have been settled through 1959.

U.S. income taxes on earnings of foreign affiliates which would become payable when remitted to the Parent Company are not significant and no provision has been made therefor.

Total taxes—including income, franchise and property taxes—and renegotiation were $409.1 million or $4.53 a share in 1966, 78 cents more than the net earnings of the Company for the year.

Costs are classified in the consolidated statement of current earnings according to the principal types of costs incurred. Costs classified as they were deducted from income in the two periods are shown in the following tabulation:

(In millions)

For the year	1966	1965
Cost of goods sold	$5,311.0	$4,449.2
Selling, general and administrative expenses	1,234.3	1,119.0
Interest and other financial charges	39.9	27.4
Income taxes and renegotiation	347.4	352.2
Total costs	$6,932.6	$5,947.8

Interest of other share owners in net results of affiliates represents the interest of other owners in the net earnings and losses of consolidated affiliates not wholly owned by General Electric. In 1966, the consolidated affiliates in which other share owners had substantial holdings were generally those incurring losses for the year.

Cash and marketable securities amounted to $328.6 million at the end of 1966, a decrease of $314.5 million during the year. The principal sources and applications of funds contributing to this change are summarized below:

(In millons)

For the year	1966	1965
Sources of funds		
Net earnings for the year	$ 338.9	$355.1
Charges for depreciation not requiring funds	233.6	188.4
Increase in payables to vendors and others	150.7	218.7
Short-term borrowings	165.8	—
Long-term borrowings	112.4	43.3
Newly issued common stock	3.8	15.5
	1,005.2	821.0
Applications of funds		
Increased current receivables	149.0	90.4
Increased inventories	336.0	176.1
Additions to plant and equipment	484.9	332.9
Dividends paid	234.7	207.5
All other—net	115.1	-18.0
	1,319.7	788.9
Increase or decrease (-) in cash and marketable securities	$-314.5	$ 32.1

Marketable securities were carried at the lower of amortized cost or market value. Carrying value of these securities was substantially the same as market value.

Receivables, less reserves, totaled $1,211.4 million at December 31, 1966, an increase of $149.0 million or 14% over the balance at January 1. The higher level of receivables resulted mainly from the substantial increase in the volume of business during the year.

Inventories, totaling $1,473.0 million at the end of 1966, increased $336.0 million during the year mainly in support of a higher level of sales. Inventories included raw materials, items in process of manufacture and products ready for sale, and were carried at cost, exclusive of certain indirect manufacturing expenses and intercompany profits. Carrying value was not in excess of market. Substantially all inventories in the United States were valued on a last-in, first-out (LIFO) basis. Inventories outside of the U.S. were valued generally on a first-in, first-out (FIFO) basis.

Investments and advances amounted to $328.3 million at the end of 1966, an increase of $87.3 million during the year, and consisted of the following:

Investment in General Electric Credit Corporation, carried at equity plus advances, amounted to $122.8 million at the end of 1966. The increase of $11.3 million in this investment during 1966 represented the Credit Corporation's net earnings for the year. Investments in other sales finance affiliates, also carried at equity plus advances, amounted to $2.3 million.

Investment in General Electric common stock at the end of 1966 totaled $62.5 million, compared with $40.0 million at the end of 1965 and represented cost of 621,667 shares held for various corporate purposes. On December 31, 1966 these shares had a quoted market value of $55.0 million.

The number of shares held by the Com-

(continued on page 27)

Consolidated Statement of Current and Retained Earnings

General Electric Company and consolidated affiliates

For the year	1966	1965
Income		
Sales of products and services to customers	$7,177,255,730	$6,213,594,781
Net earnings of General Electric Credit Corporation	11,255,868	10,422,067
Other income	61,170,636	61,712,643
	7,249,682,234	6,285,729,491
Costs		
Employee compensation, including benefits	2,930,317,936	2,526,236,537
Materials, supplies, services and other costs	3,701,704,815	3,063,437,488
Depreciation	233,626,613	188,409,660
Taxes, except those on income	61,710,712	51,588,174
Interest and other financial charges	39,927,599	27,397,172
Provision for income taxes and renegotiation	347,437,763	352,174,128
Less—Increase in inventories during year	—336,023,820	—176,122,725
—Employee compensation directly reimbursed by Atomic Energy Commission	—46,103,412	—85,357,785
	6,932,598,206	5,947,762,649
Earnings before interest of other share owners	317,084,028	337,966,842
Interest of other share owners in net results of affiliates	21,777,253	17,155,340
Net earnings applicable to common stock	338,861,281	355,122,182
Dividends declared	—234,565,705	—216,674,225
Amount added to retained earnings	104,295,576	138,447,957
Retained earnings at January 1	1,384,424,404	1,245,976,447
Retained earnings at December 31	$1,488,719,980	$1,384,424,404
Net earnings per share	$3.75	$3.93
Dividends declared per share	$2.60	$2.40
Dividends paid per share	$2.60	$2.30

The Financial Summary beginning on page 22 is an integral part of this statement.

Consolidated Statement of Financial Position

General Electric Company and consolidated affiliates

December 31	1966	1965
Assets		
Cash on hand and in banks	$ 228,298,218	$ 289,782,637
Marketable securities	100,282,193	353,250,680
Receivables	1,211,442,074	1,062,474,942
Inventories	1,472,956,925	1,136,933,105
Current assets	3,012,979,410	2,842,441,364
Investments and advances	328,297,959	240,987,815
Plant and equipment—less accumulated depreciation	1,259,335,891	1,036,998,430
Other assets	251,104,258	180,012,253
Total assets	$4,851,717,518	$4,300,439,862
Liabilities and equity		
Short-term borrowings	$ 286,336,421	$ 120,554,325
Accounts payable	401,469,744	376,179,234
Progress collections and price adjustments accrued	414,544,692	300,496,847
Dividends payable	58,501,703	58,658,300
Taxes accrued	271,250,556	318,342,334
Other costs and expenses accrued	451,076,107	392,598,568
Current liabilities	1,883,179,223	1,566,829,608
Long-term borrowings	476,530,246	364,137,766
Other liabilities	157,614,253	155,623,679
Miscellaneous reserves	78,131,301	65,390,982
Total liabilities	2,595,455,023	2,151,982,035
Interest of other share owners in equity of affiliates	44,530,929	41,439,233
Preferred stock (2,000,000 shares authorized; none issued)	—	—
Common stock (issued shares, $5 par value per share)	456,098,725	455,840,260
Amounts received for stock in excess of par value	266,912,861	266,753,930
Retained earnings	1,488,719,980	1,384,424,404
Share owners' equity	2,211,731,566	2,107,018,594
Total liabilities and equity	$4,851,717,518	$4,300,439,862

The Financial Summary beginning on page 22 is an integral part of this statement.

pany was increased in anticipation of the requirement, effective May 1, 1967, to keep available 381,679 shares for possible conversion of the bonds of General Electric Overseas Capital Corporation.

During 1966, 1,001,900 shares of the Company's stock were purchased principally through regular transactions in the securities market. 391,757 of these shares represented purchases made for the account of employees participating in the General Electric Savings and Security Program.

Other uses of shares during 1966 were:

Company contributions to General Electric Savings and Security Program	281,132
Incentive Compensation Plan	
Delivered to participants	53,719
Transferred under deferred provisions	24,723
General Electric Savings and Stock Bonus Plan	17,736
Other awards to employees	69
	377,379

In addition at December 31, 1966, the Company was holding for ultimate distribution to employees under the deferred compensation provisions of the Incentive Compensation Plan a total of 335,191 shares of General Electric common stock allotted during the years 1948 through 1966. These shares are carried under other assets as a part of funds for employee benefit plans. They are carried at market value at the time of their allotment, with an offset under other liabilities.

Investments in associated companies (those which are not consolidated but in which the Company owns approximately 50% of the voting stock) are valued at cost adjusted for changes in equity since acquisition. The investment in such companies was $36.8 million at the end of 1966 compared with $9.6 million at the close of 1965. This increase reflected principally the acquisition of a 50% interest in General Learning Corporation, the joint project with Time Incorporated.

Miscellaneous investments (valued at cost) aggregated $112.3 million at the end of 1966, compared with $87.4 million at the end of 1965. On December 31, 1966, fair value of these investments was approximately $150 million.

Reserve for investments amounted to $8.4 million at the close of 1966.

Plant and equipment, less accumulated depreciation, represents the original cost of land, buildings and equipment, including equipment leased to others, less estimated cost consumed by wear and obsolescence. Details of plant and equipment, and accumulated depreciation, are shown in the following table:

(In millions)

Plant and equipment:	1966	1965
Cost at Jan. 1	$2,399.2	$2,178.1
Additions	484.9	332.9
Dispositions	—127.5	—111.8
Cost at Dec. 31	$2,756.6	$2,399.2
Accumulated depreciation:		
Balance at Jan. 1	$1,362.2	$1,234.6
Current year provision	233.6	188.4
Dispositions	—119.3	—96.1
Other changes	20.8	35.3
Balance at Dec. 31	$1,497.3	$1,362.2
Plant and equipment less depreciation at Dec. 31	$1,259.3	$1,037.0

Other assets, of $251.1 million, included:

(In millions)

December 31	1966	1965
Long-term receivables, less reserves	$ 96.9	$ 88.0
Advances to vendors and distributors	7.8	4.9
Funds for employee benefit plans—per contra in other liabilities	24.2	21.9
Deferred charges, less reserve	24.6	17.5
Loans and advances to employees	8.2	7.0
All other	89.4	40.7
	$251.1	$180.0

Short-term borrowings, those due within one year, totaled $286.3 million at the end of 1966, compared with $120.6 million at the end of the preceding year and represented principally borrowings from banks by the Company's foreign affiliates. The total at the end of 1966 included $88.0 million of borrowings from banks by the Parent Company to help provide funds necessary to finance the sharp increase in volume of business.

Accounts payable, consisting principally of amounts owing for materials and services supplied by others, amounted to $401.5 million at the end of 1966. Included are payables representing collections from employees and other amounts being held temporarily by the Company.

Other costs and expenses accrued included payrolls accrued of $37.1 million at December 31, 1966, and interest expense accrued amounting to $6.4 million. The remaining costs and expenses accrued included liabilities for items such as replacements under guarantees, renegotiation, allowances to customers and employee benefit costs.

Long-term borrowings consisted of the following:

(In millions)

December 31	1966	1965
General Electric Company:		
3½% Debentures	$164.8	$171.8
5¾% Notes	72.0	—
General Electric Overseas Capital Corporation:		
Guaranteed Bonds and Notes	99.0	50.0
Other long-term borrowings	140.7	142.3
	$476.5	$364.1

General Electric Company 3½% debentures are due May 1, 1976, with interest payable semi-annually. Debentures having a face value of $13.7 million, and reac-

(continued on page 28)

General Electric Credit Corporation Consolidated Financial Statements

Financial Position December 31	**1966**	**1965**
Cash	$ 66,338,223	$ 36,833,247
Receivables:		
Time sales (including installments due after one year—1966, $628,000,000; 1965, $530,000,000)	1,278,567,183	1,090,755,714
Inventory financing	116,347,611	115,044,792
Total receivables	1,394,914,794	1,205,800,506
Less: Reserve for losses	—25,264,449	—20,110,435
Deferred income	—151,717,963	—130,936,252
Net receivables	1,217,932,382	1,054,753,819
Furniture and equipment, less accumulated depreciation	884,327	539,636
Prepaid interest and discount	3,395,909	2,346,791
Other assets, less reserves	9,979,405	6,196,874
Total assets	$1,298,530,246	$1,100,670,367
Notes payable:		
Due within one year	$ 814,150,036	$ 612,943,100
Long-term (including subordinated notes—1966, $99,753,126; 1965, $90,000,000)	256,953,126	284,300,000
Accounts and drafts payable	43,293,072	37,431,784
Deferred payments to dealers	49,623,398	44,356,305
Accrued taxes on income	6,101,795	6,242,436
Other accrued liabilities	10,654,615	8,898,406
Total liabilities	1,180,776,042	994,172,031
Capital stock	20,000,000	20,000,000
Retained earnings	97,754,204	86,498,336
Equity—held by General Electric Company	117,754,204	106,498,336
Total liabilities and equity	$1,298,530,246	$1,100,670,367

Current and Retained Earnings For the year	**1966**	**1965**
Volume of time sales and inventory financing	$1,500,408,966	$1,355,160,986
Gross earned income	$ 134,487,782	$ 110,937,975
Expenses—Operating and administrative	59,547,487	53,340,965
—Interest and discount	52,409,427	35,894,943
—Income taxes	11,275,000	11,280,000
Net earnings	11,255,868	10,422,067
Retained earnings at January 1	86,498,336	76,076,269
Retained earnings at December 31	$ 97,754,204	$ 86,498,336

quired at a cost of $13.0 million, were retired during 1966 in accordance with the sinking fund provisions of the underlying indenture agreement. Debentures outstanding at the end of 1966 amounted to $164.8 million, after deduction of reacquired debentures with a face value of $51.6 million held in treasury for future sinking fund requirements.

In 1966 General Electric Company arranged for a private placement of 5¾% Notes due November 1, 1991, in the aggregate principal amount of $125.0 million. At December 31, 1966, only $72.0 million of this was outstanding with the balance issued early in January 1967. Interest is payable semi-annually.

General Electric Overseas Capital Corporation guaranteed bonds due December 1, 1985, in the aggregate principal amount of $50.0 million, are convertible from May 1, 1967, to November 30, 1975, into Company common stock at $131 a share. Interest is payable semi-annually. Payment of principal, premium, if any, interest and sinking fund is unconditionally guaranteed by General Electric Company.

In 1966 General Electric Overseas Capital Corporation issued its Deutsche Mark Notes due July 1, 1971, in the aggregate principal amount of 100-million Deutsche marks (equivalent to $25.0 million). Interest is payable annually. The Corporation also issued its ten-year Note due October 3, 1976, in the aggregate principal amount of 15-billion lire (equivalent to $24.0 million). Interest is payable annually. Both these issues are unconditionally guaranteed by General Electric Company as to payment of principal, premium, if any, and interest. Proceeds from these borrowings will be used to help finance the international operations of the Company and its affiliates.

Other long-term borrowings represented largely borrowings of foreign affiliates.

Preferred stock, $1 par value, was authorized at the 1965 meeting of share owners. The Board of Directors is authorized to issue up to 2,000,000 preferred shares, in series, and to fix the designation, relative rights, preferences and limitations of the shares of each series. No preferred shares had been issued at December 31, 1966.

Common stock issued by the Company amounted to 91,219,745 shares at December 31, 1966, compared with 91,168,052 shares at the end of 1965. Authorized shares of common stock total 105,000,000, each with a par value of $5. In 1966, 51,693 shares were issued under the Company's stock option plans. In 1967, it is expected that new shares will be issued for stock option purposes and also for a portion of the requirements for other corporate purposes.

Amounts received for stock in excess of par value increased $0.2 million in 1966. This increase resulted from amounts received for newly issued shares in excess of par value ($3.5 million) reduced by net losses resulting from the disposition of common stock held in treasury ($3.3 million).

The Incentive Compensation Plan provides incentive for outstanding performance by key employees. Incentive amounts allotted for any given year vary in accordance with how well the year's objectives are met by the entire Company, by the organizational component for which the individual works and by the individual himself. Allotments made in 1966 for services performed in 1965 amounted to $20,084,176 for 2,516 employees.

The Stock Option Plan, approved by the share owners in 1963 by 97.7% of the votes cast, and two previous similar plans, provided continuing incentive for more than 650 employees during 1966. The option price of grants under these plans is the full market value of General Electric stock on the date of grant. Therefore participants in the plan do not benefit unless the stock's market price rises, thus benefiting all share owners. Also, in order to exercise options the employee must remain with the Company, since options may be exercised only after annual installments mature, which is generally over a period of nine years. Thus the plan encourages outstanding managers and professional employees to have the long-term entrepreneurial interest that will benefit all share owners.

The additional stock options granted during 1966 covered 123,167 shares. The shares deducted from original grants for such reasons as deaths, retirements and withdrawals totaled 14,253. Options for 784,167 shares outstanding at the end of 1966 were held by 634 individuals and 985,502 shares were available for the granting of additional options. A summary at the end of 1966 is shown below:

Year of grant	Average option price	Net original grants*	Installments		1966 purchases
			not yet exercisable	exercisable but not yet purchased	
1957	$65.76	168,996	—	37,452	22,676
1958	64.88	50,615	4,361	14,963	4,386
1959	79.88	26,939	5,215	12,891	2,538
1960	78.63	68,761	21,205	35,769	4,016
1961	78.00	68,232	28,016	27,719	4,117
1962	72.75	48,200	26,270	15,895	2,225
1963	79.88	272,850	170,226	82,128	10,534
1964	90.63	142,773	108,904	32,540	1,201
1965	114.63	37,446	33,206	4,240	—
1966	97.50	123,167	123,167	not yet exercisable	
		1,007,979	520,570	263,597	51,693

*After deductions for such reasons as deaths, retirements and withdrawals. Closing market price was $88.50 on December 31, 1966.

The Company was contingently liable at the close of 1966 to a number of financial institutions for $118.7 million of installment receivables, including interest collectible in the future, which had been sold to such institutions in 1963 on a full recourse basis.

Independent Auditors' Report

to the share owners and board of directors of General Electric Company.

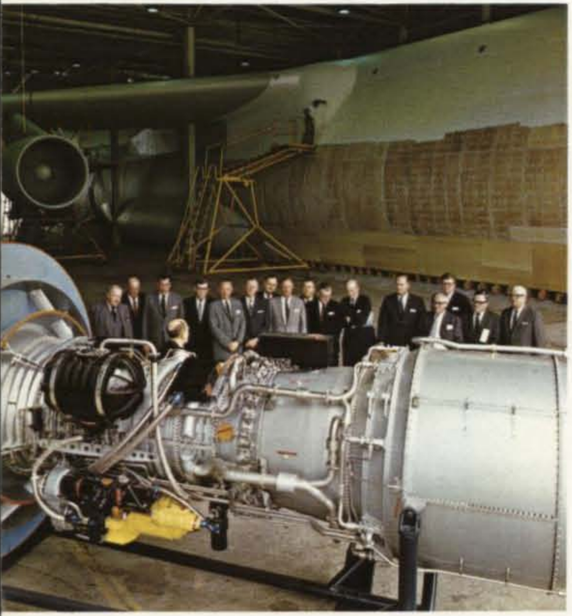
We have examined the consolidated statement of financial position of General Electric Company and affiliates as of December 31, 1966, and the related statement of current and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements present fairly the financial position of General Electric Company and affiliates at December 31, 1966, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.

Seventy Pine St., New York, New York, February 21, 1967



General Electric's aerospace activities toured by the Directors in 1966 included work on jet engines for the Lockheed C-5A transport. Above: Directors view mock-up of power plant for this giant troop carrier of the future.

Board of Directors

Of the 18 members of General Electric's Board of Directors, two are officers of the Company. The Directors bring to the Company a diversity of experience and a broad geographical perspective, as indicated by the listing below. Thus the share owners of General Electric are represented by leaders in a variety of fields of endeavor across the nation.

In 1966, the Board held eleven meetings, at which attendance exceeded 90%, in addition to their service on standing committees of the Board. They journeyed to Atlanta, Ga., for the 1966 Annual Meeting of share owners, made an extended tour of General Electric's aerospace activities, and attended presentations by managers in the electric utility businesses.

The Directors averaged 56.1 years of age as of February 21, 1967. Their average service as Directors of the Company was 8.4 years.

J. PAUL AUSTIN, President and Director, The Coca-Cola Company, Atlanta, Georgia. A Director for 3 years.

FRED J. BORCH, President and Chief Executive Officer, General Electric Company, New York City. A Director for 5 years.

FREDERICK B. DENT, President and Director, Mayfair Mills, Arcadia, South Carolina. Elected a Director in July 1966.

THOMAS S. GATES, Chairman of the Board and Director, Morgan Guaranty Trust Company of New York, New York City. A Director for 2 years.

EDWIN D. HARRISON, President, Georgia Institute of Technology, Atlanta, Georgia. A Director for 5 years.

FREDERICK L. HOVDE, President, Purdue University, Lafayette, Indiana. A Director for 11 years.

GILBERT W. HUMPHREY, Chairman of the Board and Director, The Hanna Mining Company, Cleveland, Ohio. A Director for 12 years.

JOHN E. LAWRENCE, Partner, James Lawrence & Co., Boston, Massachusetts. A Director for 10 years.

RALPH LAZARUS, President and Director, Federated Department Stores, Inc., Cincinnati, Ohio. A Director for 4 years.

EDMUND W. LITTLEFIELD, President, General Manager and Director, Utah Construction & Mining Company, San Francisco, California. A Director for 3 years.

GEORGE H. LOVE, Chairman of the Executive Committee and Director, Chrysler Corporation, Detroit, Michigan, and Chairman of the Board and Director, Consolidation Coal Company, Pittsburgh, Pennsylvania. A Director for 17 years.

NEIL H. McELROY, Chairman of the Board and Director, The Procter & Gamble Company, Cincinnati, Ohio. A Director for 15 years.

DEAN A. McGEE, President, Chairman of the Board and Director, Kerr-McGee Corporation, Oklahoma City, Oklahoma. A Director for 5 years.

HENRY S. MORGAN, Partner, Morgan Stanley & Co., New York City. A Director for 27 years.

GERALD L. PHILLIPPE, Chairman of the Board, General Electric Company, New York City. A Director for 6 years.

GILBERT H. SCRIBNER, JR., President and Director, Scribner & Co., Chicago, Illinois. A Director for 4 years.

ROBERT T. STEVENS, President and Director, J. P. Stevens & Co., Inc., New York City. A Director for 17 years.

WALTER B. WRISTON, Executive Vice President, First National City Bank, New York City. A Director for 5 years.

General Electric Management

Leadership for General Electric's worldwide organization is provided by the 58 professional managers presented on this page and by over 300 managers of operating Departments and Services components reporting to them.

Leadership for the Company's future profitable operation and growth is the objective of the Management Manpower Services component formed in 1966. The new Services component is responsible for the Company's effort toward more effectively meeting its fast-growing needs for managerial talent and for plans to broaden management education and experience.

The average age of the managers listed was 53.2 years as of February 21, 1967. Average Company service was 27.9 years.

EXECUTIVE OFFICE

FRED J. BORCH, President and Chief Executive Officer

GERALD L. PHILLIPPE, Chairman of the Board

Group Executives

HERSHNER CROSS, Vice President and Group Executive, Industrial and Information Group

WILLIAM H. DENNLER, Vice President and Group Executive, Electric Utility Group

JAMES H. GOSS, Vice President and Group Executive, International Group

JACK S. PARKER, Vice President and Group Executive, Aerospace and Defense Group

CHARLES K. RIEGER, Vice President and Group Executive, Components and Construction Materials Group

HERMAN L. WEISS, Vice President and Group Executive, Consumer Products Group

Services Officers

ARTHUR M. BUECHE, Vice President, Research and Development Center

VIRGIL B. DAY, Vice President, Personnel and Industrial Relations Services

ROBERT M. ESTES, Vice President-General Counsel and Secretary

GEORGE L. HALLER, Vice President, Advanced Technology Services

ROY L. JOHNSON, Vice President, Management Manpower Services

JOHN D. LOCKTON, Treasurer

HALBERT B. MILLER, Vice President, Manufacturing Services

ROBERT E. PFENNING, Comptroller

JAMES F. YOUNG, Vice President, Engineering Services

SPECIAL CORPORATE OPERATIONS

JOHN B. McKITTERICK, Vice President, Corporate Planning (Also a member of the Executive Office)

LAURENCE I. WOOD, Vice President, Washington Services

OPERATIONS

Aerospace and Defense Group

L. BERKLEY DAVIS, Vice President and General Manager, Defense Programs Division

CHARLES W. GEORGE, General Manager, Defense Electronics Division

GERHARD NEUMANN, Vice President and General Manager, Flight Propulsion Division

HILLIARD W. PAIGE, Vice President and General Manager, Missile and Space Division

Components & Construction Materials Group

GEORGE T. BOGARD, General Manager, Community Systems Development Division

RALPH B. GLOTZBACH, General Manager, General Electric Supply Company Division

REGINALD H. JONES, Vice President and General Manager, Construction Industries Division

ROBERT B. KURTZ, General Manager, Electronic Components Division

HAROLD A. MacKINNON, Vice President and General Manager, Component Products Division

Consumer Products Group

WALTER D. DANCE, Vice President and General Manager, Major Appliance and Hotpoint Division

CHARLES G. KLOCK, President and General Manager, General Electric Credit Corporation*

WILLARD H. SAHLOFF, Vice President and General Manager, Housewares Division

DONALD D. SCARFF, Vice President and General Manager, Lamp Division

ROBERT C. WILSON, Vice President and General Manager, Consumer Electronics Division

Electric Utility Group

DONALD E. CRAIG, Vice President and General Manager, Power Generation Division

HUBERT W. GOULDTHORPE, Vice President and General Manager, Power Transmission Division

MILTON F. KENT, Vice President and General Manager, Electric Utility Sales Division

ROBERT W. LEWIS, General Manager, Power Distribution Division

A. EUGENE SCHUBERT, General Manager, Nuclear Energy Division

Industrial and Information Group

S. WELLFORD CORBIN, Vice President and General Manager, Industrial Sales Division

OSCAR L. DUNN, Vice President and General Manager, Industrial Drives Systems Division and Transportation Systems Division

LOUIS T. RADER, Vice President and General Manager, Industrial Process Control Division

CHARLES E. REED, Vice President and General Manager, Chemical and Metallurgical Division

J. STANFORD SMITH, Vice President and General Manager, Information Systems Division

International Group

CARL W. MOELLER, Vice President and General Manager, Area Division—Mediterranean

J. RUSSELL MUDGE, General Manager, Area Division—Far East, and Manager—International Business Development Operation

J. HERBERT SMITH, President and Chief Executive Officer, Canadian General Electric Company, Limited*

HOYT P. STEELE, Vice President and General Manager, IGE Export Division

WALTER G. WARD, Vice President and General Manager, Area Division—Europe

RUSSELL E. WHITMYER, Vice President and General Manager, Area Division—Latin America

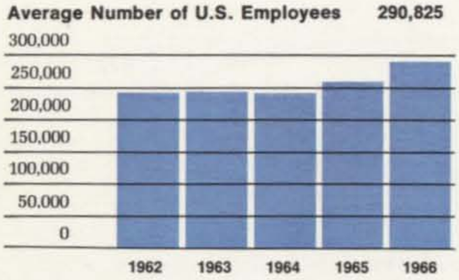
U. S. REGIONAL VICE PRESIDENTS

JOHN R. CASEY, Mid-States
THOMAS K. EDENFIELD, Southeastern
WILLIAM B. FROGUE, Southwestern
HARRY P. GOUGH, Western
GEORGE L. IRVINE, Central
CHARLES J. MILLER, East Central
F. CHARLES RULING, Atlantic
JOHN A. SPENCER, Northeastern

STEVEN C. VAN VOORHIS, Commercial Vice President, Corporate Customer Relations

**Affiliate of General Electric*

For employees—new three-year program begins



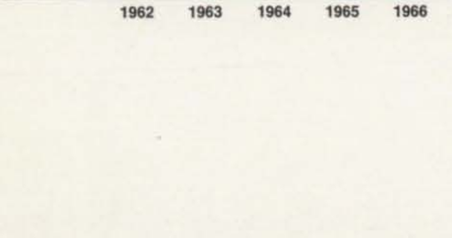
General Electric Pension Trust

Operating Statement	1966	1965
	(In millions)	
Total assets—Jan. 1	$1,350.4	$1,270.8
Plus:		
Company contributions	32.1	43.2
Employee contributions	12.3	18.2
Investment income	71.0	63.7
	1,465.8	1,395.9
Less: Pensions paid	—50.5	—45.5
Total assets—Dec. 31	$1,415.3	$1,350.4

Financial Position—Dec. 31

Investments at cost	$1,398.4	$1,324.1
Cash	0.1	0.1
Other assets—net	16.8	26.2
Total assets	$1,415.3	$1,350.4
Liability to pensioners	$ 376.7	$ 348.5
Reserve for pensions to participants not yet retired	1,038.6	1,001.9
Liabilities and reserves	$1,415.3	$1,350.4

At December 31, 1966, estimated unfunded liabilities totaled $134.0 million. Market value of investments was $1,739.8 million on that date.



Of more than 350,000 employees worldwide, an average of 290,825 were employed in the U.S. in 1966—an increase of 13%.

Compensation for U.S. employees reached a record $2.6 billion, or an average of $8,907 per employee. These figures, which include pay and the Company's cost for employee benefits, are not entirely comparable with 1965 because of employee compensation losses through strikes.

In October, U.S. hourly employees received the first pay increase under terms of a new three-year employee program. General pay increases alone will total 10% over the three-year period.

The program also included improvements in all major segments of the Company's benefits package: provisions for cost-of-living protection, greater lay-off protection, higher pensions, better health insurance and holiday and vacation improvements. Employees benefiting from the program include the approximately one-half of U.S. employees represented by unions. New national contracts were settled in October.

General Electric's 1966 employment costs also included $74 million for U.S. social security taxes and $19 million in unemployment compensation taxes.

Under the new contract terms, additional numbers of employees will receive opportunities to join the Savings and Security Program, under which the Company contributes a 50% match to employee savings. At December 31, after a three-year holding period, participating employees became entitled to a payout consisting of U.S. Savings Bonds worth about $40 million at maturity, and 644,000 shares of Company stock with a $57 million market value.

In 1966 the Company contributed $30 million to this Program and about $2 million to the Savings and Stock Bonus Plan.

Ten Year Summary

On worldwide basis of consolidation

Sales of products and services
Net earnings
Net earnings per share
Earnings as a percentage of sales
Earned on share owners' equity
Earned on invested capital[a]

(a) Net earnings adjusted to exclude the effect of interest on borrowings—as a percentage of average invested capital.

Cash dividends declared
Dividends declared per share
Average number of shares outstanding
Average number of share owners
Market price range per share[b]

(b) Represents high and low market price on New York Stock Exchange for each year.

Current assets
Current liabilities
Total assets

Share owners' equity
Invested capital[c]

(c) Represents share owners' equity plus interest-bearing debt proportionate to such equity.

Plant and equipment additions
Depreciation
Total taxes and renegotiation[d]
Total taxes per share

(d) Excludes certain excise and sales taxes, which are not included in sales or costs, and social security taxes, which are included with employee benefits.

For United States only

Average annual compensation per employee, in dollars[e]
Average number of employees

(e) Includes Company cost of vacations, holidays, pensions, insurance, social security taxes, employee savings programs and all other employee benefits.

1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
$7,177.3	$6,213.6	$5,319.2	$5,177.0	$4,986.1	$4,666.6	$4,383.2	$4,466.5	$4,235.9	$4,489.3
338.9	355.1	219.6	272.2	256.5	238.4	218.7	277.6	238.5	251.3
3.75	3.93	2.44	3.05	2.89	2.70	2.49	3.18	2.75	2.90
4.7%	5.7%	4.1%	5.3%	5.1%	5.1%	5.0%	6.2%	5.6%	5.6%
15.7%	17.5%	11.5%	14.9%	15.0%	14.8%	14.3%	19.5%	18.2%	20.4%
13.4%	15.4%	10.4%	13.5%	13.4%	13.0%	12.4%	16.3%	14.8%	16.4%
$234.6	$216.7	$197.7	$183.1	$177.5	$176.4	$175.5	$174.3	$173.7	$173.2
2.60	2.40	2.20	2.05	2.00	2.00	2.00	2.00	2.00	2.00
90,304,736	90,316,825	89,916,726	89,384,229	88,802,355	88,292,109	87,776,272	87,200,715	86,846,139	86,579,665
529,912	521,230	516,402	503,516	446,919	440,938	416,950	404,431	395,493	377,555
120-80	120¼-91	93⅝-78¾	87½-71¾	78½-54¼	80¾-60½	99⅞-70¼	99⅞-74	79⅜-57	72⅜-52⅜
$3,013.0	$2,842.4	$2,543.8	$2,321.0	$2,024.6	$1,859.7	$1,846.6	$1,904.7	$1,745.3	$1,726.8
1,883.2	1,566.8	1,338.9	1,181.9	1,168.7	1,086.6	960.0	1,007.0	965.3	1,015.5
4,851.7	4,300.4	3,836.0	3,502.5	3,349.9	3,143.4	2,938.8	2,909.2	2,762.7	2,740.7
2,211.7	2,107.0	1,944.2	1,889.2	1,764.3	1,654.6	1,568.5	1,494.1	1,350.0	1,274.7
2,871.3	2,510.2	2,299.6	2,151.4	2,033.8	1,928.9	1,866.4	1,805.1	1,687.5	1,619.6
484.9	332.9	237.7	149.2	173.2	179.7	166.2	97.0	108.8	157.2
233.6	188.4	170.3	149.4	146.0	131.6	125.1	123.7	127.7	123.0
409.1	403.8	277.3	331.4	298.7	289.9	234.1	317.6	287.0	306.8
4.53	4.47	3.08	3.71	3.36	3.28	2.67	3.64	3.30	3.54
$8,907	$8,758	$8,478	$8,243	$8,048	$7,780	$7,496	$7,352	$6,677	$6,171
290,825	257,903	242,895	244,896	243,112	234,855	236,250	231,977	234,652	265,805

Results shown in this ten year summary are after provisions for disposition of claims arising from the 1960 antitrust cases which reduced net sales billed and net earnings in the years 1962 through 1964, as discussed in the annual reports for those years.

Dollar amounts in millions; per-share amounts in dollars

Printed in U.S.A.

General Electric's multinational growth is reflected in the faces of its people. Employees shown at left—from Brazil, Turkey, Ireland, India, England, Italy, Mexico and the U.S.—represent more than 350,000 General Electric people worldwide. During 1966 they supplied customers with $7.2 billion in products and services—adding nearly $1 billion in sales over 1965. Sales outside the U.S. rose to $1.3 billion, after deducting intercompany sales. Exports from the U.S. accounted for $480 million; sales by Canadian General Electric Co., Ltd., were $386 million; and sales by the Company's overseas affiliates totalled $613 million.

GENERAL ELECTRIC
570 Lexington Avenue
New York, New York 10022

RAYMOND T JACKSON
1956 UNION TRUST BLDG
CLEVELAND OHIO 44114
5

Third Class Mail

BULK RATE
U.S. POSTAGE
PAID
Hicksville, N.Y.
Permit No. 2